

How to

Choose your logistical / industrial

Facility in Brazil

Industrial real estate in brazil: an overview



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Industrial real estate in Brazil: an overview

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The relative economic stability experienced in Brazil during the past few years has spurred a revival in the search for industrial facilities that answer the needs of new and established enterprises.

Today's Brazilian industrial real estate market consists of two distinct types of facilities on offer: a large number of older premises of low quality and without up-to-date technological specifications and, on the other hand, an increasing number of new state-of-the-art industrial premises, modern logistical facilities and business parks.

This duality stems from two important political and economic developments in recent years and which profoundly affected the real estate market. Throughout the 80's, known as 'the lost decade', Brazilian industry virtually stagnated as a result of closed-market policies and consequent low levels of investment. The result is reflected in the real estate market of today, with still many existing substandard buildings that do not fit modern requirements

and which leave no space for flexibility of use.

However, since the introduction of the economic stabilization plan and a new currency (the real) in 1994, the local market for industrial space started to expand. Hyperinflation was brought down to single digits and government policies favoring foreign investment, privatization and free trade were implemented. The country began to enjoy a relatively steady economic growth. Within this favorable climate, national and multinational companies also began to demand new, high-quality industrial installations.

Since the start of the new century Brazil has stayed on this course of relative stability.

Despite a radical electoral political change in 2002, the new government left economic policies virtually unchanged, resulting in increasing growth in demand for more industrial space, particularly in the telecommunications and high technology sectors, stimulating the real estate market with a growing number of new developments.

São Paulo continues as undisputed hub

Despite the fact that Brazil has experienced solid industrial expansion throughout its territory, the state of São Paulo remains no doubt the number-one industrial powerhouse of the country. The sprawling metropolitan region of São Paulo city plus its growing neighbors Campinas and São José dos Campos is home for over 10% of Brazil's total population and generates almost a quarter of the country's GDP. With its population of 40.5 million, the whole state has attracted almost half of all direct foreign investments in Brazil, while its constantly modernized infrastructure guarantees rapid access to South America's richest consumer markets.

Overcrowding caused several companies to look for new space in smaller cities outside the capital's metropolitan area during the seventies and eighties. The result of this trend was the emergence of several mid-sized towns such as Jundiaí, Itú, Indaiatuba, Paulínia, Itatiba, Ribeirão Preto and Rio Claro. New regional growth points such as

Americana and Sorocaba became modern textile centers while Campinas and São José dos Campos, boasting top universities and excellent infrastructure, have turned into high technology hubs.

Also in this **southeastern region** of Brazil is the vibrant industrial growth area of the Vale do Paraíba along the Presidente Dutra Highway in neighboring Rio de Janeiro state. With a population of just over 15 million, the state is the second largest economy in Brazil, mainly based on oil, telecommunications and automobile manufacturing. Growing industrial hubs outside the metropolitan region of the city of Rio itself are Rezende, Campos, Macaé, Piraí and the area around the new port of Sepetiba. To the north, landlocked Minas Gerais state has also attracted large top manufacturers thanks to its efficient industrial parks, qualified labor force and investments in high technology, steel and auto assembly. Main centers are the capital Belo Horizonte as well the cities of Contagem and Betim.

Rest of Brazil

The most industrialized section of Brazil outside São Paulo and Rio de Janeiro is the **southern region**. Formerly an economy mainly based on textiles and tobacco, it has now emerged as the geographical heart of the Mercosur free trade area that includes Brazil, Argentina, Uruguay and Paraguay. Consequently it has attracted various multinationals, such as automakers Volkswagen and Renault joining General Motors, New Holland and AGCO.

The **central region** of Brazil is the agricultural heartland of the country, primarily focused on cattle ranching and large-scale agribusiness. The few industries that have settled in the region are all connected to this prime activity and are restricted to refrigeration, food processing plants and agro-chemical companies. Exceptions are Mitsubishi Motors in Catalão and the pharmaceutical hub around Anápolis, both in Goiás state. There is also a growing concentration of high-tech and ICT facilities around the federal capital Brasília.

The economy of the equatorial **northern region** of Brazil is based mainly on some agriculture and on large-scale mineral extraction, especially in the Carajás region of Pará state. The Tax Free Zone of Manaus, in the state of Amazonas, is one of the few exceptions. Manufacturers there enjoy a series of tax breaks and exemptions on import

duties, which attracted several multinational electronics companies such as Philco, Panasonic, Nokia and Philips. Some natural gas finds have also been made in the far western part of the Amazon Forest.

The drought-ridden **northeastern region** of Brazil is the least developed after the Amazon region. Plagued by constant semi-desert-like conditions in its interior, coupled to wide-spread poverty and a serious lack of social development during the past two centuries, it has long lagged behind the rest of the country. But with its beautiful beaches and lush coastal areas this historic region is starting to tap its large tourism potential - a sector in which massive investments have been made in recent years, especially in world-class resorts along the coasts of Ceará and Bahia states. However, industry is now also beginning to look favorably upon the region as a result of the construction of the deep-sea ports of Suape, near the city of Recife in the State of Pernambuco, and Pecém, near Fortaleza, capital of Ceará state. With plenty of land, an underused infrastructure and lavish tax-breaks, Bahia state especially has also come to the forefront of industrial growth, mainly centered on the petrochemical and automobile segments, including a very large Ford plant.

Key areas in and around São Paulo

In Greater São Paulo the most important regions for industrial real estate are defined by their location in relation to the major highways which provide access to or circle the central city core, resulting in eight distinct areas. The planned São Paulo Beltway, which will eventually circle the whole metropolitan region, has opened up massive new real estate perspectives in several areas.

The map below shows the principal industrial regions, highlighted in gray. The implementation of the beltway can also be seen.

The main industrial regions are:

- Marginal Tietê (East / West freeway in the city of São Paulo);
- Castello Branco Highway (leads to the West of the state of São Paulo);

- Raposo Tavares Highway (leads to the West and South West of the state of São Paulo);
- Anhangüera Highway (leads to the North West of the state of São Paulo);
- Presidente Dutra Highway (leads to Rio de Janeiro and the North East of Brazil);
- The ABCD region (comprising the cities of Santo André, São Bernardo do Campo, São Caetano do Sul and Diadema);
- Avenida Nações Unidas (North / South freeway in the city of São Paulo);
- Régis Bittencourt Highway (leads to the South of Brazil).



Principal Highways leading out of São Paulo and first phase ready out of four of the Ring Road

Marginal Tietê (East / West freeway in São Paulo City)

The banks of the Tietê River are where the industrialization of São Paulo first began at the end of the nineteenth century. The Tietê freeway, appropriately named the Marginal Tietê, was built alongside this river and it is home to several different types of industries. It also provides access to many important highways, such as Castello Branco, Anhangüera, Bandeirantes, Fernão Dias and Dutra as well as to the Marginal Pinheiros freeway, all together linking the capital to the interior of São Paulo and other states.

However, the industrial facilities that do exist in this area are so old that they no longer meet the technical specifications demanded by modern companies. Therefore the region along the Marginal Tietê is being transformed from industrial use to residential and commercial uses because land at reasonable prices is unavailable for new high-quality industrial development. However, due to its strategic location within metropolitan São Paulo, the area is still sought after by many logistics companies.

Castello Branco Highway (leads to the West of the state of São Paulo)

This region has been through an intense expansion of the industrial areas located alongside the highway which passes through several important cities such as Sorocaba, Avaré and Botucatu and is the principal highway linking the city of São Paulo to the western region of the state.

It hosts the largest concentration of new and high-quality warehouse facilities and logistics companies, as well as most of the existing business parks that have been developed in São Paulo. The largest industrial

concentrations are located in Tamboré and the cities of Barueri, Jandira, Itapevi and Santana do Parnaíba. Many chief executive officers and other top executives have made their homes in new large and comfortable gated communities in the area, such as Alphaville, and moved their companies nearby. New lanes have been added to ease congestion, particularly for access to Alphaville and Tamboré, and include a new tollgate due to the rapid expansion in this area.

Raposo Tavares Highway (leads to the West and South West of the state of São Paulo)

This highway connects São Paulo to the city of Sorocaba and other cities in western and southern parts of the state. Several wealthy residential communities have sprung up along the highway's many secondary access roads and, where zoning permits, some other areas have recently been industrialized.

The properties available in this region are primarily small-to-medium sized, occupying a total of between 1,000 and 5,000 square meters (roughly 10,000 to 50,000 square feet). However, there are also some large facilities, such as Astra Zeneca, Firmerich, Gerdaul and Oetker, among others.

Anhangüera Highway (leads to the North West of the state of São Paulo)

The Anhangüera Highway is the main link between the cities of São Paulo and Campinas, the state's second-largest urban conglomeration.

It then continues in a north-westerly direction as far as Uberlândia, the commercial hub of the prosperous 'panhandle' of Minas Gerais state.

In the São Paulo metro region lining the highway large enterprises such as Bosch, Gessy Lever and Klabin have

set up plants. Large industrial facilities have also sprung up further north along the highway between Jundiaí and Campinas (see the chapter 'Greater Campinas').

Due to increased traffic volume, an alternative through-road, the Bandeirantes Highway, was constructed. It runs almost parallel to the original highway as far as the city of Araras and has greatly alleviated pressure on the Anhangüera.

Presidente Dutra Highway (leads to Rio de Janeiro and the North of Brazil)

The industrial occupation of Guarulhos started during the 50's with the construction of the Presidente Dutra Highway. This highway, which connects the two major cities of the country, São Paulo and Rio de Janeiro, has also the heaviest truck traffic. It is the second largest industrialized region in Metro São Paulo, losing only to São Paulo city itself.

However, after a substantial growth during the 60's and 70's this region was exhausted, with low demand and migration of the existing industries. In the 1980's, demand increased

when the Cumbica International Airport was opened, but then stagnated again. The Dutra Highway has now been privatized and several new lanes have been added. Although traffic is still very intense, many large distribution centers as well as large commercial activities such as wholesale and shopping centers have moved into the region, mainly due to its privileged location. To ease the heavy traffic, the new Ayrton Senna Expressway was built parallel to Dutra nearest to the Sao Paulo metro region.

The ABCD region (comprising the cities of Santo André, São Bernardo do Campo, São Caetano do Sul and Diadema)

The cities of Santo André, São Bernardo do Campo, São Caetano do Sul and Diadema, which together are known as the ABCD region, have traditionally housed the metallurgic and automobile industries. Original equipment manufacturers such as Ford Motor Company, Mercedes Benz and Volkswagen are located in this region. Development began in the 1960's and 1970's along the Anchieta and Imigrantes highways. In recent years, however, the region has experienced a decline in its

industry because of tough unions, lack of space for expansion and the high cost of existing facilities as well as the fiscal war among states and cities to attract new industries elsewhere.

Hence, some of the old industrial properties located alongside principal highways have been acquired by large supermarket chains, such as Extra and Carrefour. The region is also becoming more residential.

Avenida Nações Unidas (North / South freeway in São Paulo)

Better known as the Marginal Pinheiros, this highway runs alongside the Pinheiros, the other main river which flows through the city of São Paulo. The southern region of this highway, which runs through the Santo Amaro, Jurubatuba and Socorro neighborhoods, is heavily industrialized.

Together with the Marginal Tietê freeway it links the highways of Régis Bittencourt, Raposo Tavares and Castello Branco. Its location inside the city of São Paulo is privileged and demand for commercial properties is on the rise.

Régis Bittencourt (leads to the South of Brazil)

This is the main highway to the South of Brazil. The recently duplicated highway was for several years considered Brazil's most dangerous road. It also has serious development restrictions near the town of Embu, only 23 km from the city center, due to the Guarapiranga Basin, an area with strong-flowing springs that feed the Guarapiranga Dam. Because of this, the expansion of industries has been restricted. However, considering that this is the main gateway to the South of Brazil and Mercosur partners, it has a tremendous logistical importance. Some

of the companies installed in the region are Sherwin Williams, Novartis and Sansuy. Also, a few distribution companies that have large operations to the South are located in this region. The highway is one of the few federal highways that have not yet been privatized. It is also the start of the first section of the new São Paulo beltway ('rodoanel') and therefore already connects with other important highways such as Castello Branco, Anhangüera and Bandeirantes.

Rentals

The Brazilian law extends special rights and privileges to non-residential tenants after five years of occupation. Some owners are, therefore, reluctant to lock themselves into contractual obligations of this length or longer; however the law also permits both landlord and tenant to revise the lease value every 3 years.

Some form of guarantee normally backs rental operations. Small companies may provide a personal guarantee by a private individual who offers property exceeding potential liabilities. Bank guarantees are the norm for medium and

large sized industrial and commercial rentals. In the case of a major multinational, a letter from headquarters guaranteeing the rent, may in some cases be accepted.

Rent is paid monthly, in Brazilian reais. Contracts include a provision for adjustment of the monthly value to compensate for past inflation and, at present, federal law permits a maximum of one rent adjustment annually, using the IGP-M inflation index.

Buying an existing facility

Though more difficult, good-quality industrial space can be found in Brazil and normally offers internal specifications in line with modern world standards. Production floors are smooth and well finished, with good natural and artificial lighting and sprinkler/hydrant fire protection systems. Office space will be well lit and well finished, normally with air conditioning.

There will, however, always be some retrofitting or renovation required to bring the site up to company standards. Because Brazilian legislation does not include full disclosure laws, investors are advised to seek assistance before entering into any purchase agreement.

Business parks

Business parks are closed condominiums, basically consisting of low-tech modular warehouses, with a floor-to-ceiling ratio that is standard for most logistics companies. Support structures for employees include restaurants, banking agencies, auditoriums and nurseries and offer complete infrastructure, utilizing modern technical specifications and construction standards that meet the most different necessities of the tenants. Grounds are secured around the clock and guards control electronic gates and access of employees, visitors and others.

Depending upon where the business park is located, the market price for lease of a new business park varies between US\$12.30 and US\$15.70 per square foot per year (R\$11 and R\$14 per square meter per month). Park occupants also share the costs of the park's maintenance and services, which is less expensive than for companies in stand-alone rental agreements. Each occupant normally pays a condominium fee of between US\$2.20 and US\$3.40 per square foot per year (R\$2 and R\$3 per square meter a month) in addition to rent.



Business Park Jundiaí - Bandeirantes Highway

Build-to-suit

Because so many Brazilian industrial facilities are old and antiquated, choosing a build-to-suit-for-lease option is available to multinational companies interested in a high quality construction that meets standardized needs. Though it may appear that more time would be required to complete a build-to-suit facility, renovating an existing site often results in unpredictable and surprising cost increases and delays. The advantages of choosing a "turn-key" option include: time control; built according to ideal specifications and location; and market-compatible rents.

Groups involved in build-to-suit projects give preference to multinational companies and generally require a rental agreement contract of no less than 10 years, in addition to bank guarantees on the rental.

On the other hand, a long-term lease can hamper future expansion. The facility should be standardized and suitable for other uses should the original tenant leave and the process of acquiring all the necessary regulatory approvals can take longer.

While American or foreign architects and engineers can be used in the design of the facility, companies are advised to seek out a project management company to evaluate the drawings and specifications to ensure that they meet local standards. Contrary to the practice in the United States, in which the architect leads the design and construction teams, Brazilian engineering and civil construction companies normally take the lead, sub-contracting architecture and engineering design teams.



Facility under Construction

Complex and bureaucratic zoning regulations

In Brazil an industrial operation is potentially subject to zoning and location restrictions from three spheres of government: federal, state and municipal. In some cases, these regulations can conflict. A state law may be more restrictive than a municipal law, for example. In this case, the more restrictive regulations will apply.

- **Federal:** restrictions on operations in frontier and national security areas; national parks; environmental protection; endangered species; natural vegetation; Indian reservations.
- **State:** environmental regulations; water resources.
- **Municipal:** urban land use; traffic congestion; noise; vibration; visual pollution.

Special attention should be given to **environmental**

regulations. At the onset of any plan to build, purchase or rent an industrial installation, a company or its representatives is well advised to consult the federal environmental agency IBAMA (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis) about environmental evaluations and impact studies that may be required. Large facilities and potentially polluting industries will need to comply with federal and state environmental regulations.

In the State of São Paulo for example, an industrial project must be submitted to the State Secretariat of the Environment, and then to CETESB, the state-run Environmental Technology Company (Companhia de Tecnologia de Saneamento Ambiental), for the principal environmental evaluation procedure

Transportation a decisive factor

The modernization of Brazil is opening opportunities throughout the country. A network of privatized highways by which raw materials and goods are moved around represents around 64% of all cargo transported throughout Brazil. Waterway shipping accounts for 12% of cargo transport, railroads for 7% and the rest is shipped by air.

The highway network in Brazil is the second-largest in the world, beaten only by the United States. Roadways cover a total of 1.6 million kilometers.

Waterways are also used for cargo shipments and have been modernized through dredging of river bottoms and channeling. Navigable rivers in the Amazon and center-

west are all natural, whereas most waterways in the South and South East have been canalized to expand transport capacity. The main waterways in the southern part of the country used in cargo transport are the Tietê and Paraná in the State of São Paulo and the Jacuí and Taquari in the State of Rio Grande do Sul.

Though rail systems only account for 7% of the means of cargo movement in Brazil, the sector has been privatized and is expected to grow impressively over the next few years. Investments of R\$1.5 billion have flowed into the sector over the past five years to increase capacity.

The São Paulo beltway

Currently, trucks traveling between the South and the North of Brazil, or even heading to the port of Santos, have to cross the city limits when going via São Paulo. To ease congestion in the metropolitan area and particularly on the Marginal Pinheiros and Marginal Tietê expressways, a 170-kilometer São Paulo Beltway is currently under construction. The opening of 32 kilometers of the beltway's first sections has already started to show results in terms of reduced truck and vehicle traffic on the city's main roads. Once completed, the limited-access six-lane highway will form a complete loop around the urban region at a distance of 15-25 miles (24-40 kilometers) from the city center, linking São Paulo's major highways [*Bandeirantes, Anhangüera, Castello Branco, Raposo Tavares, Régis Bittencourt, Imigrantes, Anchieta, Ayrton Senna, Dutra and*

Fernão Dias. The beltway features video monitoring, modern signposting and electronic information panels, which enable transit authorities and drivers alike to immediately respond to all types of situations.]

The construction of the beltway has fired great speculation about the value of industrial / logistical facilities and land sites located alongside this highway. Cities near the beltway are also offering various types of fiscal incentives to attract companies interested in privileged and easy access to other states. Large companies that have already installed facilities near the beltway include Avon, Carrefour, Natura, Pananco, Pão de Açúcar and Wal-Mart, among others.

Greater Campinas: an expanding region

Formed by a string of more than 20 small cities, located in a radius of 50 kilometers around downtown Campinas and only one hour's drive from the São Paulo metro region, Greater Campinas is a vibrant and growing industrial hub. With its 2.3 million inhabitants it is the second-largest urban conglomeration in São Paulo state. Its strategic location is Campinas' greatest asset, while the region's highway infrastructure ranks with the best in the country.

The city of Campinas itself (pop. 970,000) boasts a per capita income of US\$9,800, one of the highest in Brazil. Fifty of the 500 largest companies in the world have chosen the Campinas region to install manufacturing units, joining

more than 760 other industrial facilities there.

Top-ranking high technology companies, such as IBM, 3M, Bosch, Lucent Technologies, as well as Honda, Toyota, Valeo and others have chosen the region because of its renowned educational institutions, including the Catholic University of Campinas (PUC) and the University of Campinas (UNICAMP). Another trump card is Viracopos International Airport, one of the largest cargo airports in the country, acting as a catalyst for several multinational companies, including Mercedes Benz and Benteler, to set up facilities in the region.

Professional assistance

Finding a suitable facility in Brazil can be extremely complex. The market is competitive and full disclosure laws are not in place. Once priorities have been established, care must be taken to fully investigate each real estate

option before entering into a contract negotiation. Though a company may search for an industrial/logistical facility on its own, the process is time consuming and detracts from a company's core business.

Choosing a broker

Before settling on a particular brokerage firm, a company should request a list of recent clients and allow time to effectively check out these references. It is also worthwhile to seek opinions from other companies involved in the start-up and with which the investor already has a good relationship, for example lawyers, auditors and consultants, together with potential clients and suppliers. It is also essential to establish an exclusive arrangement with a specialized broker with expertise in zoning legislation and environmental regulations for example.

São Paulo offers a mix of national and multinational real estate specialists. In addition, a professional should be able to show a number of different options, which take into account the occupant's needs for proximity to its market, suppliers and raw materials, access and transportation options as well as the infrastructure and technical specifications required.

Confidentiality and exclusivity

Purchasers should consider confidentiality requirements during their selection of a broker. In some cases, exchanging exclusivity for secrecy will help ensure discretion. If necessary, the purchaser should satisfy himself or herself that the broker in question has appropriate structures and operational procedures to maintain the desired level of confidentiality.

Many multinational real estate companies are entering Brazil and larger real estate companies can treat the name of a major purchaser as confidential during the search. This secrecy requirement normally will not extend past the initial search phase, however, and the prospective purchaser may often be presented to prospective vendors at the short-list stage.

Brazilian law allows both vendor and purchaser to work simultaneously with as many real estate brokers as they choose. However, experience indicates that better results will come from working exclusively with one broker of confidence, after an appropriate selection process. An exclusive search operation for industrial property will normally be carried out under a 180-day contract between the broker and the prospective purchaser.

Total confidentiality during negotiations is possible but complicated. Having a representative, such as a lawyer, purchase property for subsequent resale is possible, but involves, amongst other complications, a double payment of the property transfer fee, which can range from 2% to 6%.

Rentals | Sales commissions and exclusivity clauses

Brazilian real estate brokers normally operate with commission on a rental operation being paid by the owner and calculated at the equivalent of one month's rent. As the Brazilian economy stabilizes, the length of rental and lease contracts also tends to increase. In longer-term contracts, which are the more usual, commissions are normally of 15% of one year's rent when tenant representation services are provided.

For sales / purchase transactions a standard fee of 6% to 8% is normally applied, deducted from the final agreed sales price and payable by the vendor. This percentage is

advocated by the representative association of real estate brokers but is not a legal requirement and may be negotiable in the case of major commercial interests. In a build-to-suit-for-lease agreement, the landlord will pay two months' rent to the broker.

It is common in Brazil for investors to be caught unawares in a situation where he must pay two commissions because he did not know the rules of the market. To avoid such pitfalls, investors are advised to contract specialized, well-known real estate companies.

Closing the deal

Once a suitable option has been identified and the purchaser has decided to go ahead, it is time to close and sign the contract. At this stage, legal advice will be necessary. Given the relative stability of the Brazilian economy, contracts in Brazil are negotiated in Brazilian reais. Whatever monetary unit used during negotiation, Brazilian law requires that sale and rental contracts be expressed in the national currency.

Contracts in Brazil are always written in Portuguese. Both rental/lease and sale/purchase contracts must be registered with the appropriate public notary office. In both cases the contract should contain a full inventory of the

installations and equipment that form part of the agreement. Key clauses include an adjustment for inflation according to a mutually agreed price index, penalties, guarantees and fines for late payments in rental or purchase agreements, among others.

Prior to signing the contract, it is critical to ensure that all the documentation, including the title of ownership, registration, certifications that no debts or legal processes are ongoing against the property, as well as the company's incorporation contract must all be carefully analyzed to guarantee that the directors have the power to sign the contract.

Prices

Sales and rental prices are subject to fluctuation in any market. Price examples quoted in this section should be taken as a general guide to the state of the market in the year 2006.

Prices can also vary depending on the location of the facility in Brazil. A green-field site alongside a major highway will be significantly less expensive per square foot than a property in a new industrial park or near the airport in Belo Horizonte, Minas Gerais, for example. At the time this booklet was prepared in 2006, the value of the Brazilian real

floated freely on the exchange market. Prices in this section are based upon an exchange rate of R\$2.25 to US\$1.00.

The price for constructing a new facility ranged from US\$65 to US\$120 per square foot (R\$700 to R\$1,300 per square meter). Renovation prices were approximately US\$23 to US\$90 per square foot (R\$240 to R\$940 per square meter). As can be seen in the graph below, real estate prices are comparable to prices around the world.

Industrial Property Prices (US\$/sq.ft)

City	Size	Sale Prices	Lease Prices
Los Angeles	60.000 – 99.999High Tech	\$58.00 - \$94.00NA	\$3.24 - \$10.20NA
Miami	60.000 – 99.999High Tech	\$18.00 - \$52.00\$75.00	\$3.10 - \$6.35\$10,00
Atlanta	60.000 – 99.999High Tech	\$27.10 - \$35.28\$88.35 - \$139.06	\$2.68 - \$5.05\$8.90 - \$8.93
Chicago	60.000 – 99.999High Tech	\$34.29 - \$46.44NA	\$3.97 - \$4.04NA
Dallas	60.000 – 99.999High Tech	\$32.00\$65.00	\$3.15\$6.75
Toronto	60.000 – 99.999High Tech	\$35.00 – \$64.00\$100 - \$150	\$4.50 - \$5.75\$8.50
São Paulo	60.000 – 99.999High Tech	\$20.00 - \$40.00\$70.00 - \$90.00	\$3.40 - \$5.95\$7.44 - \$10.00
Buenos Aires	60.000 – 99.999High Tech	\$10.00 - \$80.00NA	\$3.12 - \$5.98\$7.00 - \$10.00

Source: The Society of Industrial and Office Realtors (SIOR) and Staubach DTZ.

About our sponsor

Honesty, efficiency and continuous training are our keys to success

Herzog Imobiliária (Herzog Real Estate) is a long-established family company originally created to manage industrial and commercial properties owned by the B. Herzog Comércio e Indústria S.A. Group. The company broadened its activities in 1984 to become a licensed real estate broker, operating throughout Brazil. With the objective of offering a comprehensive portfolio of services, **Herzog Property Management** was created in 1998 and soon after became a leader in the management of business parks and in the consultancy for business parks development.

Herzog offers:

Representing Property Owner - Sales and Location

- selling or leasing properties;
- marketing plans;
- consulting studies;
- market trends;
- sound and reliable negotiations.

Tenant Representation

- identifying clients' needs;
- analysing and identifying the best property lease or purchase conditions;
- full assistance in property acquisition or leasing.

Marketing Plan/ Commercializing Real Estate

- definition and coordination of a publicity campaign utilizing our data bank with national and international companies and core information about companies of many segments and of the real estate market;
- placing advertisements in major newspapers and magazines and chambers of commerce publications;
- direct mail with photos and details of the property;
- placing signs and banners increasing the final value of the commercialisation.

Build-to-Suit-for-lease

Herzog has a large data bank with traditional investors interested in building-to-suit-for-lease properties. We also provide market data that contribute to negotiating the practiced conditions and timeframe of the construction and lease agreements.

Investment

Herzog has a databank of excellent real estate investment opportunities. We also provide sales information for institutional investors, portfolio analysis and general advice as well as investment strategy and acquisition assistance for investors.

Real Estate Consulting/Real Estate Advisory Services

Herzog analyzes and publishes information on the industrial and commercial real estate market. Our large databank is constantly updated through field and market surveys and with information gathered in several communication media and through our own network.



Simplified Commercial Opinion on Value

Herzog's skilled team of associate brokers and consultants can provide a simplified commercial estimate of the market value for sale or lease.

Technical Valuation

Herzog's specialized team of qualified engineers carries out Valuation Reports for sale, lease, acquisition, warranties and insurance purposes of offices, industrial sites and retail or other premises.

Property Management

Property management, facility management and consulting services for the conceptual design of business parks.

The company or its directors are affiliated to the following associations:

SIOR - Society of Industrial Office Realtors; Eduardo Herzog, director, is the only Brazilian member of the organization
Corenet Global - International Association of Corporate Real Estate Executives, Inc.
The Staubach Company
ICSC - International Council of Shopping Centers
BOMA - Building Owners and Managers Association

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Brazil Fact and Figures

Official name: Federative Republic of Brazil

Total land area: 3,300,580 square miles (8,547,404 sq. km.)

Population: 185.4 million; labor force: 89 million (estimate 2004 - IBGE)

Major cities (2000): Brasília (capital), 2 million; São Paulo, 10.4 million; Rio de Janeiro, 5.8 million; Salvador, 2.4 million; Belo Horizonte, 2 million. (IBGE)

Ethnic groups: Portuguese, Afro-Brazilian, Italian, German, Middle Eastern, Japanese, Amerindian.

Language: Portuguese (official); religion: 74% Catholic (nominal)

Monetary Unit: real (R\$); GDP \$604.9 billion; GDP per capita: \$ 3,331 (2004 - SECEX)

Major products: chemicals, automobiles + spares, food, soy, coffee, iron ore, crude oil, tourism.

Major trading partners: exports: 25% E.U.; 19% U.S.; 16% Asia; 10% Mercosur; 30% others; imports: 25% E.U.; 23% Asia; 18% U.S.; 9% Mercosur; 25% others (2004 - IBGE)

Trade Balance: total exports \$ 118.3 billion; total imports \$ 73.6; surplus 44.7 billion (2005 - SECEX)

Government: federal republic; democratically elected president since 1985; current: Luís Inácio Lula da Silva (since Jan. 2003)

The American Chamber of Commerce in São Paulo is the largest bi-national business organization in South America. This booklet is one in a series of American Chamber publications aimed at helping international companies evaluate and enter the Brazilian market.

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