

Oranjestad, October 26 2011 - São Paulo is almost beyond the imagination — a drizzle-shrouded megacity of almost 20 million that sprawls like Los Angeles and boasts enough skyscrapers to vie with New York. The gritty financial engine of the new Brazil, São Paulo exerts influence over commerce, media and culture. The Brazilian writer Roberto Pompeu de Toledo calls it an “urban labyrinth that reaches toward the infinite.” It might not have the palm-fringed glamour of Rio de Janeiro, but in the view of urbane Paulistanos, Brazil has only one truly global city: theirs.

As Brazil’s economy soars — partly as a result of China’s great appetite for its commodities, like iron ore and soybeans, not to mention the oil recently found in abundance offshore — São Paulo prospers. A surge in deal-making and the resilience of Brazil’s currency, the real, has attracted foreign investment bankers, hedge fund managers and venture capitalists. Well-educated Brazilians are returning from abroad. Compensation in some executive suites now rivals the pay on Wall Street.

All these people need a place to live. Even though jackhammers often awaken Paulistanos at dawn, buildings aren’t going up fast enough to satisfy the population, and a housing deficit persists. For the poor with dreams of joining the growing middle class, this means living cheek by jowl in favelas. For the rich seeking to avoid the infamous traffic jams, it means surreal competition for apartments that can be downright ordinary in prestigious and strategically located neighborhoods. The market-research firm IBOPE Inteligência found that prices for newly constructed apartments across São Paulo climbed 31 percent from a year ago. Prices for existing properties in some coveted neighborhoods surged even higher: apartments in Jardins were up 81 percent; Itaim Bibi rose 59 percent.

“The market’s getting a little out of hand,” says Marcos Faria Lamacchia, a banker who bought his apartment in Jardim América two years ago and was recently offered a price in the millions of dollars, double what he paid. “I’d rather put my money in Miami, where it’s still possible to buy low.”

Despite such concerns, renting or buying real estate in São Paulo has become a contact sport. A furnished penthouse apartment in the well-heeled Jardins district might rent for as much as \$20,000 a month, a sum unimaginable a short time ago. The penthouse in the new Daniel Libeskind building going up in the ritzy Itaim Bibi area recently sold for \$12 million. An apartment owned by the heiress Athina Onassis in the Chateau Margaux building in Vila Nova Conceição, near Ibirapuera Park, sold for about \$20 million last year.

Broader access to credit fuels a lot of the buying. Traditionally, Brazilians bought homes without much bank financing, often putting up cash and bartering other properties or even automobiles as part of each deal. Or they simply rented. But economic stability now gives Brazilians access to loans with interest rates in the neighborhood of 12 percent. While that rate might be unthinkable to Americans, it is a big shift for Brazilians happy to have any type of home loan in a country with a history of hyperinflation and high interest rates. Apartment flipping, especially at the high end, is growing more common.

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