

High-end São Paulo

GoldenTree has capitalised on the credit crisis by picking up a 50 percent stake in one of São Paulo's most desired addresses. By Suzanne Weinstock

For most private equity real estate investors, Brazil is all about affordable and middle-income residential opportunities. GoldenTree InSite Partners though has gone against that grain, buying a unique housing development that is perhaps one of the most luxurious apartment complexes São Paulo has ever seen.

The two-tower development, located at 106 Seridó, is about to break ground on 128 extremely high-tech, 5,000-square-foot apartments which feature six parking spaces apiece, indoor and outdoor swimming pools, a tennis court, playground, gym and spa that are priced from \$2.5 million each. The development is expected to be complete by the end of 2011.

When it comes to Brazil, GoldenTree isn't just betting on the luxury market. The firm also has affordable housing projects, including the Hipódromo, also in São Paulo. But 106 Seridó, which GoldenTree has bought a 50 percent stake in for R\$50 million (€18 million; \$25 million), is a development that would be "very difficult to replicate" in the Jardín section of São Paulo, according to Joao Teixeira, a Brazil-based managing director at GoldenTree.

Publicly-listed real estate firm Klabin Segall has been holding the land, located in Brazil's wealthiest micro-neighbourhood, for more than three years because of complications converting the site from its former use as a power substation. By the time the development was ready to go in the fall of 2008 the credit crisis had hit and, like most listed real estate companies in Brazil, the company was unable to issue stock or find financing for construction.

In selling some of its existing projects, Teixeira said Klabin Segall was reluctant to part with the "crown jewel of [its] portfolio". But, as Teixeira added, it was the best and most liquid asset to sell. The deal saw Klabin Segall retain a 25 percent stake in the project, while its partner, high-end construction company Construtora San José, owns the remaining 25 percent.

"I always liked this project," said Teixeira, who first eyed the site 10 years ago. Klabin Segall developed the project well, attractively titled it, and the unusually large site of 12,000 square metres in Jardín makes the development nearly impossible to copy, he said. "This is the type of project that is perfect for an equity provider."

Despite a base price of \$2.5 million per unit, pre-sales are coming along, with domestic buyers representing the bulk of the potential tenants. Most are shareholders and owners of Brazil's largest and most important companies, according to Teixeira. "It's the talk of the

town," he added.

The project sale to GoldenTree was contingent upon at least 30 of 106 Seridó's 128 units being pre-sold. This condition was met around late February and the deal closed on 24 April. At least 10 more contracts are expected to be signed by press time. Teixeira said GoldenTree has the right to take control of the project under certain circumstances if needed.

"There's a lot of different ways of being very, very wealthy in Brazil and you're definitely going to want to own some real estate in São Paulo," said GoldenTree's New York-based managing director William Cisneros. "Anybody who's in the world that [Teixeira] lives in, whether it's real estate or extremely high-net-worth individuals, they're talking about whether they're buying one unit or two." □



106 Seridó: units from \$2.5 million

