Brazilian Real Estate: Capturing Structural growth in a Complex Market

Across much of Europe, real estate is in a difficult phase: higher rates, lower values and slow transaction volumes, especially in offices and traditional retail. Many portfolios are heavily concentrated in these markets, with limited room for growth. Against this backdrop, Brazil offers a different story. It is a large, urban country, with more than 200 million inhabitants and a housing deficit that is still far from closed. Popular and mid-market residential segments continue to see solid demand, supported by demographics and the gradual recovery of credit conditions. Logistics and selected retail assets benefit from the growth of e-commerce and the strength of dominant shopping centres in major cities. For European investors, this is not about replacing Europe, but about adding exposure to a market that is on a different cycle, with higher income yields and a clear potential to diversify an already stretched portfolio.

The difficulty is that “Brazilian real estate” is not one single, homogeneous bet. São Paulo and a few other large metros concentrate most of the institutional product and liquidity, while many medium-sized and coastal cities behave quite differently. On the residential side, data from the 20 largest developers show that sales between 2019 and 2024 grew across all segments, but at very different speeds, with mid- and high-end projects more than doubling in volume (around +113%). Popular housing still represents roughly 70–80% of units sold, but the mid-/high-end market is thickening in selected cities.

When you look at cities, the contrasts are even clearer. FIPE ZAP Residential Index numbers for the last 12 months point to a national rental growth of around 10%, but Salvador and Vitória are above that with roughly 14–19%. Fortaleza still has the lowest average residential rent in the sample, yet shows double-digit increases, while Curitiba is closer to the national average, with growth around 9–10%, which is more a sign of maturity than of distress. In other words, the “good” outlook is concentrated in specific combinations of city and segment, in growing regional capitals and a few high-quality “quality of life” markets.

On the corporate and listed side, the same pattern appears. Brazilian listed real estate funds (FIIs) on B3 form a market of roughly R$ 96 billion, tilted towards logistics and retail. Between 2020 and 2025, logistics funds delivered total return CAGRs of about 17%, retail around 15%, and office funds closer to 8.5%, compared with inflation of roughly 5.7% and a risk-free rate near 11%. The positive outlook is therefore very real in logistics and selected retail, but much less convincing in broad office exposure, especially outside prime locations. At the same time, the macro environment remains demanding for leverage: mortgage credit is only about 10% of GDP (versus 50–60% in OECD countries), policy rates spent most of the period above 10%, and transaction costs and ESG/climate constraints add further frictions.

A sensible strategy is to combine stable income with targeted growth pockets, rather than make a single big bet. The core of the allocation can sit in popular and mid-market residential in large metros and in logistics along main corridors, while a smaller sleeve focuses on higher-return opportunities in secondary cities such as Vitória, Salvador, João Pessoa and Fortaleza, the markets that have shown the strongest price and rental appreciation.

To make this approach scalable, investors need an analytical layer that helps them understand, compare and allocate capital more effectively. Performance attribution is one example of the type of tools required: it decomposes returns between yield and price appreciation, distinguishes the impact of city and segment allocation, and compares the contribution of different vehicles (direct assets vs. FIIs) to overall risk-adjusted performance. Other tools follow the same logic: from scenario and sensitivity analysis to benchmarking and Net Operating Income (NOI) decomposition and the assessment of decarbonisation costs and trajectories, all designed to help investors understand what truly drives performance. Equipping themselves with this broader analytical toolkit, both in Brazil and across the rest of the portfolio, enables investors to replicate insights, refine allocation decisions and turn Brazil’s growth pockets into a disciplined, repeatable source of diversification rather than a one-off speculative allocation.