



## **Real Estate Predictions 2020 | Article 8**

### **Where and how will we live in 2040?**

Lessons from Brazil's real estate market







Brazil is facing a series of trends that are affecting the real estate sector across the globe. From rapid urbanization to changing demographics, the challenges in Brazil's real estate market can be seen in major markets everywhere. As such, an analysis of real estate in this increasingly robust market can offer valuable insights for the sector—insights that can help answer the all-important question, “Where and how will we live in 20 years?”

#### Global trends, local market

In terms of its economic, social, and behavioral aspects, the real estate market in Brazil reflects movements that have been gaining strength around the world. According to Real estate consumer behavior in 2040, a report from Deloitte and the Brazilian Association of Real Estate Developers (Abrainc), these movements include:

- **Urbanization:** Like many countries around the world, Brazil is experiencing intense urbanization. It's a process that has been going on for decades, especially in its megacities (São Paulo and Rio de Janeiro), but it is also now impacting the development of the other regional capitals.
- **Diversity:** As a country of continental dimensions, there is a rich diversity of cultures and living habits that coexist in Brazil. Reconciling this multicultural character is an increasing challenge for all countries in today's global environment of greater mobility, connection, and immigration, as can be seen in Europe and the United States.
- **Changing demographics:** Due to the increase in life expectancy, Brazil is undergoing a demographic transition that many developed countries have already experienced and which many developing countries will face in the near future.

- **Sustainability:** The evolution of Brazil's reliance on and use of its large wealth of natural resources is making sustainability a fundamental and strategic part of the long-term development of its real estate and construction sectors. It's a reality already observed in more mature markets, where the relationship with the environment is playing an increasingly larger role.

The state of real estate in Brazil According to the Deloitte-Abrainc study, real estate in Brazil continues to evolve along a few key trends. Security, privacy, space, and convenience are already priority elements when choosing a property and these factors are likely to remain relevant until 2040, even as they adapt to the financial constraints and behavioral characteristics of new generations.

The changing needs of residents as they enter different periods of their life, such as living near work or having more room for children, are also priority factors in choosing a property. This requires greater flexibility and diversity in the real estate offered by builders and developers. And while the need for larger spaces can be met in the regions around urban centers, which offer larger housing at lower prices, larger condominiums are helping to meet some of the same social demands for

quality of life within urban centers. These spaces can offer recreational and green areas as well as jogging spaces, multi-sport courts, swimming pools, and even personal services. But a careful assessment—based on strong data—of these large investments is required so that these benefits are delivered without significantly affecting the price per square meter.

#### The urban center challenge

What will prove the most challenging in terms of real estate in the coming years is the availability of space in large urban centers—which will be increasingly scarce by 2040. Given the continuous expansion of urban centers, it appears location has become a priority as it impacts the quality of life and the practicality of everyday life. As such, the following trends are expected to become more commonplace:



Flexibility



Safety



Longevity



Plural families



Reduced bureaucracy



Income/cost



- **Sharing:** As urban spaces become more costly, sharing spaces and services can be a way to accommodate a dynamic lifestyle in which life and career paths are no longer predictable. However, the new way of sharing will be enhanced by technology-backed solutions that will offer tenants better security and privacy.



- **Renting:** Renting is an increasingly attractive option for a generation that wants to travel, work more independently, and seek out a variety of experiences. For this generation, buying a property, while still a goal, is being delayed to when the resident reaches financial stability or establishes a family, which is happening later than it has for past generations. Bearing in mind the expected rise in renting, it is important to address rental processes that are excessively bureaucratic to ensure the efficiency and practicality a new generation of renters will require.



- **Property format:** With more and more people living in common spaces—whether through sharing or cohabiting with family—businesses in the industry will have to develop solutions that fit multiple profiles. Integrated spaces that favor coexistence and customization and building techniques that allow modularity can optimize costs for both builders and residents. Due to the scarcity of space, especially in large cities, properties tend to be smaller and more expensive and the ability to maximize utility is essential.



- **Technology and connectivity:** With the rise of connected devices and voice assistants, a developer will need to ensure the integration between mobile devices, applications, and home equipment within spaces as well as adapt to the needs of each resident. The widespread use of surveillance and monitoring systems in this model supports the view that security will be a major concern for residents.



- **Services and infrastructure:** Services and infrastructure within spaces should concentrate on such resident demands as safety and convenience. Developers should also have the flexibility to adapt and respond to resident needs based on current life situations—such as a need for a playground for children or a co-working space for an independent contractor. Using new digital technologies, developers can use data to tailor their spaces and ensure that investments in their construction is appropriate and does not translate into prohibitive costs for residents.



- **Purchase process:** New technology can help expedite the process of renting and acquiring real estate for both consumers and real estate agents. Artificial intelligence, augmented reality, and robotic process automation are among some of the new technologies that can contribute to a less expensive, more agile, and secure purchasing model.

## Lessons to be learned

The Brazilian market is a microcosm of many of the trends emerging in the real estate sector worldwide. Brazil is also uniquely positioned to provide insights applicable to consolidated markets, such as those in the United States and European capitals, as well as such developing markets found in Latin America and Asia, where income inequality and access to housing are major factors. As Brazil addresses these issues and other real estate challenges, those in the sector should pay attention to how trends are playing out within this one local market and explore how lessons learned can contribute to solutions around the world.

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