Real Estate Industry in Brazil

15th ULI Europe Annual Conference

February, 2011
1. Macro Scenario

2. The Real Estate Market in Brazil
   - Residential
   - Office
   - Hospitality
   - Industrial
   - Shopping center

3. Sonae Sierra Brasil at a Glance
Over the last decade, Brazil experienced an unparalleled growth trend and should continue to grow at solid rates in the foreseeable future...

Brazil
Area: 8.6 million sq km
Population (09): 193.7 million
GDP (10E): US$ 2.0 trillion
GDP per capita (10E): US$ 10.4k

Source: IBGE, MCM

GDP Growth

Source: MCM
Favorable economic conditions have led unemployment rate to its lowest level since 2003, and have boosted both demand for credit and the purchasing power of middle class families mainly...
With the strong growth of the Brazilian economy in the last decade, approximately 30 million people have moved upwards into the middle class whose disposable income increased by 67%...

Source: Cetelem "O Observador 2010

Note: (1) Income available for spending and savings
Source: Cetelem "O Observador 2010, Itau Securities
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Real Estate Market in Brazil - Residential Market

Sound potential demand of circa R$173 billion with 58% in the mid and upper-mid income classes and 42% in the affordable entry-level segment

<table>
<thead>
<tr>
<th>Monthly Income Bracket</th>
<th>Total households (million)</th>
<th>2007</th>
<th>2030e</th>
<th># Annual households (demand in thousand)</th>
<th>Annual Potential Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to R$1,000</td>
<td></td>
<td>31.7</td>
<td>29.1</td>
<td>13</td>
<td>1,526</td>
</tr>
<tr>
<td>R$1,000 – R$2,000</td>
<td></td>
<td>15.5</td>
<td>27.6</td>
<td>43</td>
<td>846</td>
</tr>
<tr>
<td>R$2,000 – R$4,000</td>
<td></td>
<td>8.4</td>
<td>21.8</td>
<td>139</td>
<td>101</td>
</tr>
<tr>
<td>R$4,000 – R$8,000</td>
<td></td>
<td>3.3</td>
<td>11.0</td>
<td>335</td>
<td>72</td>
</tr>
<tr>
<td>R$8,000 – R$16,000</td>
<td></td>
<td>1.1</td>
<td>4.3</td>
<td>139</td>
<td>101</td>
</tr>
<tr>
<td>R$16k - R$32K</td>
<td></td>
<td>0.3</td>
<td>1.3</td>
<td>43</td>
<td>530</td>
</tr>
<tr>
<td>Above R$32k</td>
<td></td>
<td>0</td>
<td>0.3</td>
<td>13</td>
<td>1,526</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60.3</td>
<td>95.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: press releases of listed companies

(1) It includes only 50% of the potential annual households from R$1,000 – R$2,000 bracket.
Growing Credit Availability: credit offer for real estate financing has increased dramatically with lower interest rates and longer tenors, bringing a huge number of families to the affordable entry-level segment.

Real Estate Financing (R$ bn)

- 56% ‘04-‘10 CAGR
- Huge Growth Potential

Real Estate Financing (as a % of GDP)

- UK: 75%
- USA: 68%
- Spain: 45%
- Germany: 45%
- France: 28%
- Chile: 17%
- Mexico: 11%
- Brazil: 3%

Price Trends: Despite transitory drop of new launchings during the world financial crisis housing prices continues to go up...

New Stock vs Cumulative Price Evolution (*) - SP

Source: press releases of listed companies

Source: Secovi -SP
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With an overall average of R$70 per m² per month, in 3Q10 asking rental rates increased about 23% yoy.

Overall vacancy rate averaged 10% in 3Q10.

São Paulo represents the largest office submarket of Brazil accounting for 60% of the total class A buildings.

Rio de Janeiro is the 2nd largest office submarket and also the most expensive, recording R$142 per m² per month in 3Q10, mainly due to both the lack of vacant lands for future developments and growing demand.

Rio de Janeiro is among the top 20 most expensive locations in the world but still has lower rental rates when compared to that of prime office markets such as Tokyo, London, Dubai, New York and Paris indicating potential for future appreciation.
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Since 2004 ADR and RevPAR grew 5.7% and 8.4% per year, respectively, as occupancy rates have been going up. The southeast region represents almost half of the entire national supply with São Paulo and Rio de Janeiro being the main submarkets.

**Brazil Lodging Performance**

- **Average Daily Rate (R$)**
- **RevPAR (R$)**
- **Room Occupancy**

**Distribution of Rooms per Region**

- Mid-west: 3%
- Northeast: 8%
- North: 21%
- Southeast: 21%
- South: 47%

**Top 10 Brands**

<table>
<thead>
<tr>
<th>#</th>
<th>Brands</th>
<th># Rooms</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Accor</td>
<td>23,950</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>Choice</td>
<td>9,158</td>
<td>2%</td>
</tr>
<tr>
<td>3</td>
<td>Golden Tulip</td>
<td>5,313</td>
<td>1%</td>
</tr>
<tr>
<td>4</td>
<td>Blue Tree</td>
<td>4,149</td>
<td>1%</td>
</tr>
<tr>
<td>5</td>
<td>Nacional inn</td>
<td>3,747</td>
<td>1%</td>
</tr>
<tr>
<td>6</td>
<td>Meliá</td>
<td>3,395</td>
<td>1%</td>
</tr>
<tr>
<td>7</td>
<td>IHG</td>
<td>3,247</td>
<td>1%</td>
</tr>
<tr>
<td>8</td>
<td>Transamérica</td>
<td>2,774</td>
<td>1%</td>
</tr>
<tr>
<td>9</td>
<td>Windsor</td>
<td>2,726</td>
<td>1%</td>
</tr>
<tr>
<td>10</td>
<td>Othon</td>
<td>2,717</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Total Number of Rooms: 440,857**

Offered by national and international brands

Source: JLL Hotels
Agenda

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Industrial real estate market continues to experience strong net absorption with low vacancy rates and escalating rents. The average vacancy rate is 6.3% with asking rents growing 7.8% per year on average, and ranging from R$12 to R$25 per m² per month – the highest levels since 2007.

**Industrial Space Performance***

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Absorption</th>
<th>Vacancy Rate (prime properties)</th>
<th>Overall Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
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<td></td>
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<tr>
<td>2008</td>
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<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CBRE

(*) São Paulo & Campinas Region

**Asking Rental Rates*** (R$/ m² / month)

- **CAGR: 7.8%**

<table>
<thead>
<tr>
<th>Year</th>
<th>Asking Rental Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
</tr>
</tbody>
</table>

**Trends:**

- Growing direct investments on new plants are expected to lead cumulative absorption (demand) to historic levels of 600 thousand m² in 2010.
- Coupled with rising construction costs, leasing prices may experience a new rising wave in coming future, mainly for built-to-suit developments.
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Shopping centers in Brazil still have a very low market penetration and representativeness in retail sales comparatively to other countries, which indicate a strong growth potential.

### Shopping Centers Market Penetration

<table>
<thead>
<tr>
<th>Country</th>
<th>Total GLA (m²) / 1,000 inhabitants (2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1,872</td>
</tr>
<tr>
<td>Canada</td>
<td>1,128</td>
</tr>
<tr>
<td>France</td>
<td>213</td>
</tr>
<tr>
<td>Mexico</td>
<td>81</td>
</tr>
<tr>
<td>Brazil</td>
<td>47</td>
</tr>
</tbody>
</table>

### Retail Sales in Shopping Centers

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage (2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>66%</td>
</tr>
<tr>
<td>USA</td>
<td>51%</td>
</tr>
<tr>
<td>Mexico</td>
<td>50%</td>
</tr>
<tr>
<td>France</td>
<td>28%</td>
</tr>
<tr>
<td>Brazil</td>
<td>18%</td>
</tr>
</tbody>
</table>

Note: (1) 2009 data
Source: ABRASCE and IBGE

Note: (1) 2009 data
Source: ABRASCE
In the last 10 years, the number of shopping centers and GLA increased at annual rates of 3.8% and 6.6%, respectively.

**Number of Operating Shopping Centers**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>280</td>
<td>294</td>
<td>304</td>
<td>316</td>
<td>325</td>
<td>338</td>
<td>351</td>
<td>365</td>
<td>377</td>
<td>393</td>
</tr>
</tbody>
</table>

2000 – 2009 CAGR: 3.8%

**Total GLA**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>5.1</td>
<td>5.2</td>
<td>5.5</td>
<td>5.6</td>
<td>6.2</td>
<td>6.5</td>
<td>7.5</td>
<td>8.3</td>
<td>8.6</td>
<td>9.1</td>
</tr>
</tbody>
</table>

2000 – 2009 CAGR: 6.6%
The Southeast Region – the most economically advanced in Brazil - holds more than half of total malls and GLA in Brazil.

**Geographic Distribution of Number of Malls**

- South: 19%
- Northeast: 14%
- Mid-West: 9%
- Southeast: 55%
- North: 3%

**Geographic Distribution of GLA**

- South: 15%
- Northeast: 14%
- Mid-West: 8%
- Southeast: 60%
- North: 3%

**Malls in operation:** 393

**Total GLA:** 9.1 million m²

Source: ABRASCE (2010)
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### Portfolio Footprint

#### Centers

<table>
<thead>
<tr>
<th>Centers</th>
<th># Stores</th>
<th>Total GLA ('000 m²)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Assets</td>
<td>1,934</td>
<td>347.7</td>
</tr>
<tr>
<td>Greenfields Projects</td>
<td>691</td>
<td>173.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,625</td>
<td>521.0</td>
</tr>
</tbody>
</table>

1) Excludes GLA owned by third parties
2) Includes PDP 1 BV’s stake

#### Projects under development:

1. **Parque D. Pedro**
   - City: Campinas (SP)
   - GLA: 114.2 k m²
   - Ownership: 51.0%
   - Exp. Opening: 2H 2012

2. **Boavista Shopping**
   - City: São Paulo (SP)
   - GLA: 23.0 k m²
   - Ownership: 30.0%
   - Exp. Opening: 2013

3. **Shopping Penha**
   - City: São Paulo (SP)
   - GLA: 29.5 k m²
   - Ownership: 73.2%

4. **Franca Shopping**
   - City: Franca (SP)
   - GLA: 18.1 k m²
   - Ownership: 67.4%

5. **Tivoli Shopping**
   - City: Sta. Barbara d'Oeste (SP)
   - GLA: 22.1 k m²
   - Ownership: 30.0%

6. **Shopping Metrópole**
   - City: São Bernardo do Campo (SP)
   - GLA¹: 25.0 k m²
   - Ownership: 100.0%

7. **Pátio Brasil**
   - City: Brasília (DF)
   - GLA: 29.0 k m²
   - Ownership: 10.4%

8. **Shopping Plaza Sul**
   - City: São Paulo (SP)
   - GLA: 23.0 k m²
   - Ownership: 30.0%

9. **Shopping Campo Limpo**
   - City: São Paulo (SP)
   - GLA: 19.9 k m²
   - Ownership: 20.0%

10. **Manaura Shopping**
    - City: Manaus (AM)
    - GLA: 46.7 k m²
    - Ownership: 100.0%

11. **Uberlândia Shopping**
    - City: Uberlândia (MG)
    - GLA²: 43.6 k m²
    - Ownership: 100.0%
    - Exp. Opening²: 2H 2011

12. **Boulevard Londrina Shopping**
    - City: Londrina (PR)
    - GLA²: 47.8 k m²
    - Ownership: 84.5%
    - Exp. Opening²: 2H 2012

13. **Passeio das Águas Shopping**
    - City: Goiânia (GO)
    - GLA: 78.1 k m²
    - Ownership: 100.0%
    - Exp. Opening: 2013

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1) Excludes GLA owned by third parties
2) Includes PDP 1 BV’s stake
Thank you!
Disclaimer

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