

BRAZIL GREEN BUILDING MARKET SNAPSHOT 2022ⁱ

This Green Building Market Snapshot provides a summary of key market indicators based on IFC's research on policy environment, building construction, and Green Building certification and finance. The year of the snapshot coincides with the launch of the UK-IFC Market Accelerator for Green Construction (MAGC) in the country. Additionally, most recent Green Building developments in the market are included where available. IFC welcomes readers' comments.



CERTIFIED GREEN BUILDING MARKET STATUS: UNDERDEVELOPED MARKET BUT STRENGTHENING

As of 2022, Brazil's Green Building market was underdeveloped but showed signs of strengthening, with 8M sqm of new or existing space certified green between 2017 and 2020. The certified buildings were mainly offices, warehouses, and multi-family residential. Most of the Green Building construction in Brazil is concentrated in the Southeast (São Paulo, Rio de Janeiro, Minas Gerais) and the South (Paraná, Santa Catarina, Rio Grande do Sul), with São Paulo holding approximately two thirds of Brazil's Green Building certifications. Northeastern cities like Fortaleza, Recife, and Salvador are emerging adopters of sustainable building practices.



COUNTRY LANDSCAPE



- Construction Market:** In Brazil, the residential sector represents about 80% of the building construction industry, with the rest consisting mainly of office buildings and warehouses. Within the residential sector, social housing (typically multi-family) represents approximately 50% of the market, with non-social multi-family and single-family detached representing approximately 25% each. Financing for social housing is provided by FGTS (Fundo de Garantia do Trabalhador Social), and the main industry association is CBIC (Brazilian Chamber of the Building Industry).
- Developers:** The real estate sector in Brazil exhibits a moderate degree of concentration, although this can vary across metropolitan areas (e.g., it is estimated that the top-10 developers in São Paulo metro account for approximately 55% of the market). It is not uncommon for Brazilian developers to also have a construction arm to work on their projects, while hiring smaller specialized construction firms to complement in-house resources as needed.
- Finance:** The Brazilian housing credit market has two main operating systems: (a) the Housing Finance System (SFH); and (b) the Real Estate Financial System (SFI). They account for approximately 90% and 10% of housing credit issuance, respectively. The SFH is regulated by the Brazilian government, which establishes certain conditions such as maximum property value and effective cost, while the SFI offers greater flexibility but is limited by the small size of its secondary market. The Brazilian banking sector is highly concentrated, with the five biggest banks accounting for almost 70% of credit issuance overall, and an even greater percentage of credit issuance to the real estate sector. In particular, state-owned Caixa Econômica Federal (Caixa) accounts for approximately two-thirds of the Brazilian real estate credit market.

1. GREEN BUILDING POLICIES AND REGULATIONS

Is there a national definition of Green Building?

There is no definition of Green Building at the federal level in Brazil. However, building sector regulation is heavily influenced by the National System of Housing of National Interest (SNHIN) and the National Fund for Housing of National Interest (FNHIN), established through the National Housing Policy of 2004. The adherence of states and municipalities to the SNHIN is voluntary, but required to access FNHIN resources. The program has standard designs according to the funding level, but typically these do not yet cover sustainable construction practices. In 2010 the main provider of housing credit, state-owned Caixa Econômica Federal (Caixa) established its own green building certification system, Casa Azul + CAIXA, but adoption so far has been limited.

Is Green Building part of the country's Nationally Determined Contributions (NDC)?

The latest Brazilian NDCs, established in 2020, set target GHG emission reductions of 37% until 2025 and 43% until 2030. The overall focus is on renewable energy, reforestation, reducing deforestation, and cleaner vehicles, but no explicit sectoral goals have been established.

Is there a national Green Building strategy/action plan?

The United Nations Conference for the Environment and Human Development held in Brazil in 1992 has driven the creation of public policies for the environment such as the National Agenda 21, which is considered a National Strategic Plan for Sustainable Development.

Public Policy and Regulations

- ▶ The National Policy on Climate Change (Federal Law No. 12187/2009), establishes principles, guidelines and goals in relation to GHG emissions and sustainable development.
- ▶ The City Statute (Federal Law No. 10,257/2001) guides urban planning, including principles for sustainable construction. However, municipalities in Brazil have autonomy in urban policy, which they implement through their Master Plan and Property and Urban Land Tax (IPTU) frameworks.

2. GREEN BUILDING MARKET SIZE

New and existing floor space certified green

- ▶ 2017: 2,211,048 sqm
- ▶ 2018: 1,825,284 sqm
- ▶ 2019: 2,031,960 sqm
- ▶ 2020: 2,117,826 sqm



3. CERTIFICATIONS AND STANDARDS

National Green Building Rating Systems

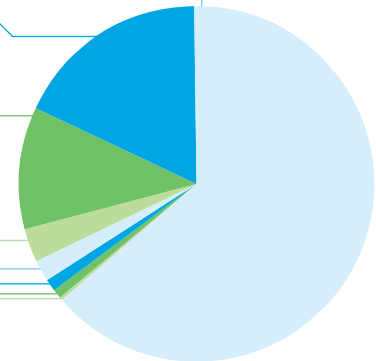
- ▶ Casa Azul + CAIXA
- ▶ GBC Casa & Condominio
- ▶ Procel Edificações

International Green Building Rating Systems

- ▶ EDGE
- ▶ LEED
- ▶ BREEAM
- ▶ Fitwel
- ▶ AQUA
- ▶ WELL

Voluntary Green Building certification system's market share by sqm certified (as of 2021)

- ▶ LEED is ~64% of cumulative GB
- ▶ AQUA is ~18% of cumulative GB
- ▶ Casa Azul + CAIXA is ~11% of cumulative GB
- ▶ EDGE is ~3% of cumulative GB
- ▶ GBC Casa & Condominio is ~2% of cumulative GB
- ▶ Procel Edificacoes is ~1% of cumulative GB
- ▶ Fitwell is ~0.9% of cumulative GB
- ▶ BREEAM is ~0.01 % of cumulative GB
- ▶ WELL is ~0.01% of cumulative GB



4. GREEN BUILDING FINANCE

Financial Institutions offering Green Building finance

As of 2021, several state-owned and private financial institutions in Brazil offered Green Building finance:

- ▶ Brazilian Development Bank (BNDES) offers various financing mechanisms supporting green investments such as energy efficiency, renewable energy, and low carbon agriculture. It has issued green bonds, but lacks specific products for Green Buildings.
- ▶ Caixa Econômica Federal (Caixa), a state-owned financial institution, is the main provider of housing credit in Brazil, primarily through public funding sources like the Length-of-Service Guarantee Fund (FGTS). It offers eco-efficiency credit lines for businesses and individuals, financing sustainable systems and equipment (e.g., solar water heaters). It also provides credit lines for purchasing sustainable building materials and financing micro power generation systems.
- ▶ São Paulo Development Agency (DesenvolveSP) offers credit lines for small and medium-sized enterprises (SMEs) and municipalities in the state of São Paulo, targeting green economy projects including GB with sustainable construction parameters.
- ▶ Bank of the Northeast of Brazil (BNB), a regional development bank, provides a credit line for financing components of photovoltaic, wind, or biomass electric energy micro and mini-generation systems.
- ▶ Santander Brazil offers a credit line for financing machines and equipment promoting energy efficiency, rational water use, sustainable construction, etc.
- ▶ Itaú Unibanco (Itaú) has launched a partnership with IFC to accelerate the green construction market in the São Paulo metropolitan area by offering preferential financing conditions for projects achieving preliminary EDGE certification.
- ▶ Cooperative Credit System (Sicredi) offers a solar energy credit line for businesses to finance solar electricity generation.

Green bonds or other capital market instruments earmarked for Green Building finance

Brazilian financial markets have shown a trend towards sustainable finance, with an increasing role for ESG (Environmental, Social, and Governance) factors in investment decisions. Green bonds have been issued in Brazil, but so far they have not been earmarked for Green Building finance. Real Estate Investment Funds (FIIs) and various debt instruments like Certificates of Real Estate Receivables (CRIs) and Guaranteed Real Estate Bills (LIGs) are increasingly used in the real estate market, including green financing.

Financial incentives for Green Buildings

As of 2021 approximately 55 municipalities, including São Paulo and Rio de Janeiro, offered financial incentives for adopting sustainable practices through tax (IPTU) discounts of between 5% to 20%. Additional technical incentives include increased building height and area allowances, reduced parking requirements, and expedited project approval. Some cities combine these incentives with green building certification programs.

ENDNOTES

i. Unless otherwise indicated, the source of information is the Market Assessment – Brazil (2021) prepared for IFC by Daniela Corcuera and Liliani Souza.

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