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## BTG Pactual in Brazil shopping mall deal

By Samantha Pearson in São Paulo  
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Brazilian investment bank BTG Pactual has teamed up with US-based Walton Street Capital to take advantage of Brazil's consumer boom by funding the construction of up to four shopping malls, according to people close to the companies.

Under the agreement, Pactual and Walton Street have committed R\$192.5m (\$117m) through a convertible bond to Squarestone Brasil, an Anglo-Brazilian real estate company, to fund the construction of a shopping mall in São Paulo, Latin America's largest city.

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The companies have also signed an agreement whereby Pactual and Walton Street have the right to buy 49 per cent of Squarestone's management company if they convert that bond to equity and provide half the funding for three additional malls.

The agreement is the latest in a string of similar deals by Pactual, which is run by André Esteves, one of Brazil's most respected businessmen and youngest billionaires. The bank has been aggressively increasing its exposure to commercial real estate and only a couple of weeks ago bought a controlling stake in local developer WTorre Properties.

Pactual is also buying into the phenomenon that is behind Brazil's crowded shopping malls: the boom in consumer lending. From plastic surgery to underwear, almost everything can be bought in instalments in Brazil, making credit a lucrative business both for banks and retailers.

Demand for everything from designer jeans to flat screen televisions has surged over the past few years in Brazil, as wages have increased and shoppers have had greater access to consumer credit.

In January this year, Pactual took over Brazil's Banco PanAmericano, the biggest lender for used cars and motorbikes, scooping up the group for only R\$450m after it came close to collapse.

For Walton Street, the Squarestone deal represents a return to emerging markets after the financial crisis. In 2007, for example, the company teamed up with Starwood Capital to invest in a \$1.25bn property development in Calcutta, India.

The first of the four shopping malls, a three-storey building taking up the space of about five football pitches, will be built in the southern suburb of ABC in São Paulo and is expected to be ready by the third quarter of next year.

Property prices have risen fast in that region, which is home to many international industrial groups such as Volkswagen and even Brazil's former president Luiz Inácio Lula da Silva. The other three shopping centres are likely to be built in São Paulo as well.

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