

Intelligent Investment

# Portuguese Healthcare & Senior Living

THE REAL ESTATE PERSPECTIVE

CBRE RESEARCH  
DECEMBER 2024



# Why invest in Healthcare and Senior Living

- ♥ Significant increase in the number of elderly people and dependency index
- ♥ High imbalance between scarce supply and demand with strong growth prospects
- ♥ Shortage of supply of specialized care
- ♥ Strong increase in insurance coverage with 1/3 of the population with a private health insurance
- ♥ Fragmented sector with high potential for expansion and consolidation of operators
- ♥ Diverse investment opportunities since the structure of the sector is mostly comprised by owner-operators
- ♥ Income from savings and home ownership complement the reduced value of old-age pensions
- ♥ Attractiveness of Portugal for foreign retirees - possibility of positioning in a higher market segment
- ♥ Asset classes with strong stability and long-term contracts

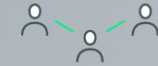
# For the next years...

The senior living market in Portugal is starting to change, following the European tendency.



## Diversification

The pandemic came to change the way senior living spaces were thought to guarantee social distancing.



## Complementarity Offer

The idea is to increase the offer and continue to articulate the offer of public with the private sector.



## Hotelisation

More qualified and diversified services meeting different needs, preferences and lifestyles.



## Specialisation

Increase the need for homes specialized in diseases related to memory impairments, as Alzheimer, but also other problems typical of old age, such as the loss of vision.

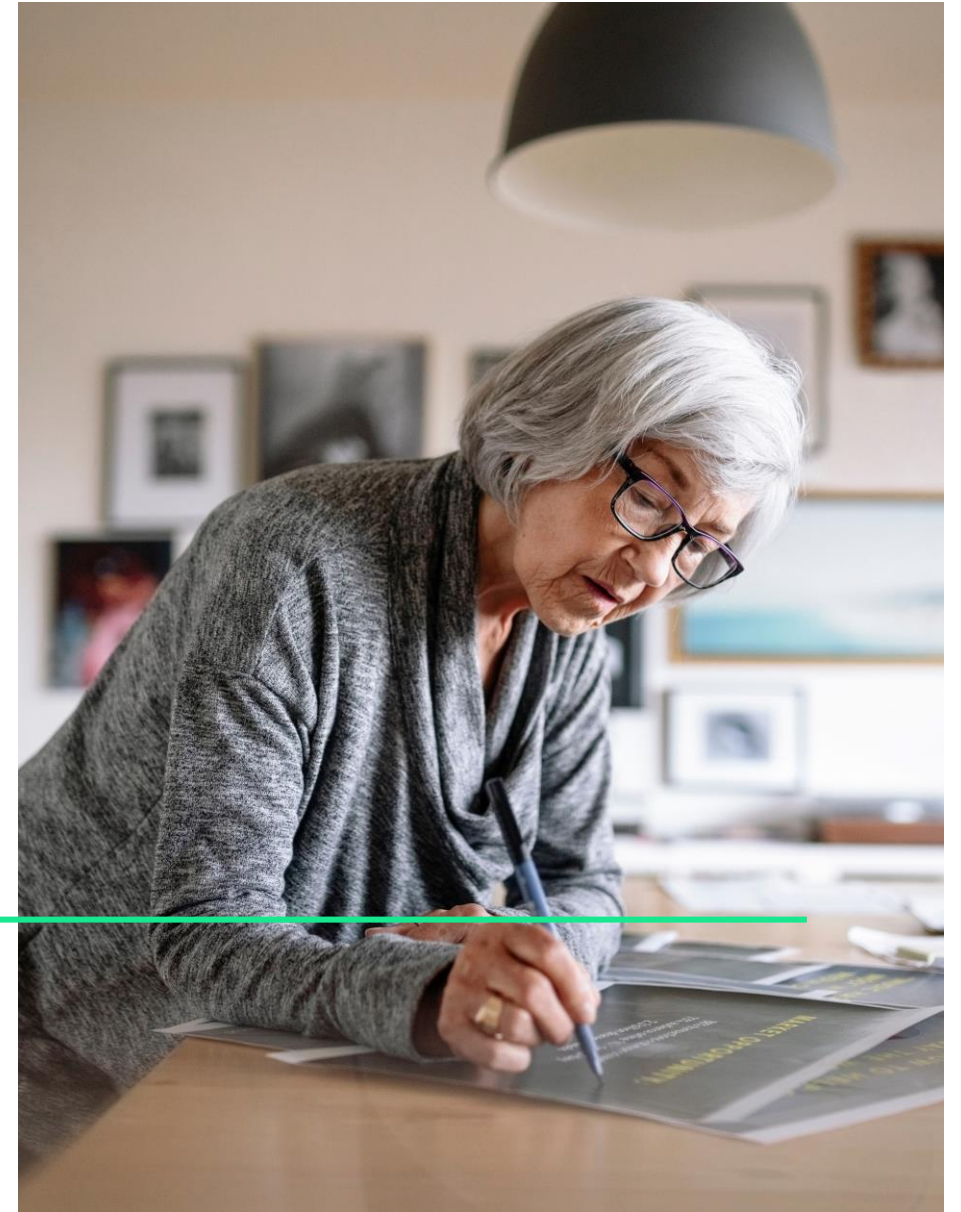


## Convenience

Convenience in accessing healthcare facilities is increasingly a factor of choice and a driver for greater frequency of use.

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# Introduction

The private health market is growing significantly: more demand for care, more lives covered with health insurance and less response from the public offer - with serious structural problems (emergency closures, limited response capacity in several specialties, significant waiting times, etc.).

At a social level, the longevity scenario due to the increase in the average life expectancy also contributes to the increase in the demand for health services. The private health sector in Portugal is competitive and competition between private hospitals operators and other health care providers has intensified in recent years, especially due to the growth of the private health insurance coverage.

In addition, in recent years, the health sector has witnessed a consolidation movement, as health care providers seek greater operational efficiency, as a result of the increase in labour costs and the need to expand out of the country main cities.

New development is becoming increasingly important in the healthcare real estate market, as service users call for a wider availability of high-quality purpose-built stock. As healthcare treatments and technology advance, so does the requirement for appropriate and specialist real estate that can accommodate both the users and necessary equipment.



01

# Population & Demography

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# More than 1/3 of the Portuguese population will be senior by 2050

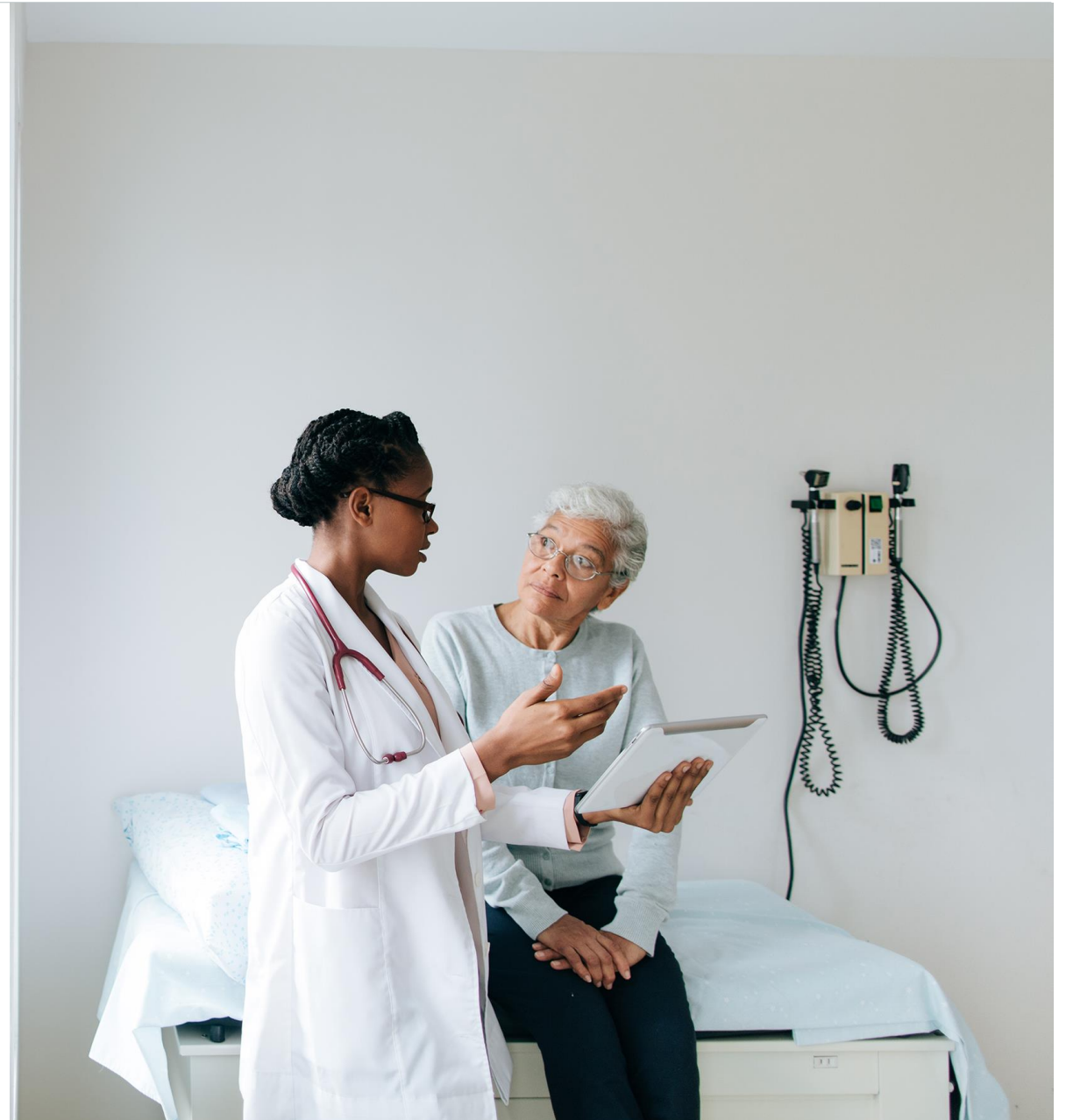
Over the last decades, Portugal has been assisting to a decline in the birth rate, leading to a shift in the population pyramid towards an aging population, and this has implications for various sectors, including healthcare, pensions, and workforce productivity.

In 2022, the Portuguese aging index increased to 185.6 – number of elderly people per 100 young people –, reflecting this ongoing demographic shift. Forecasts point that more than 1/3 of the population (2,4 million people) will be senior in 2050, of its 1,4 million will be 80+ years.

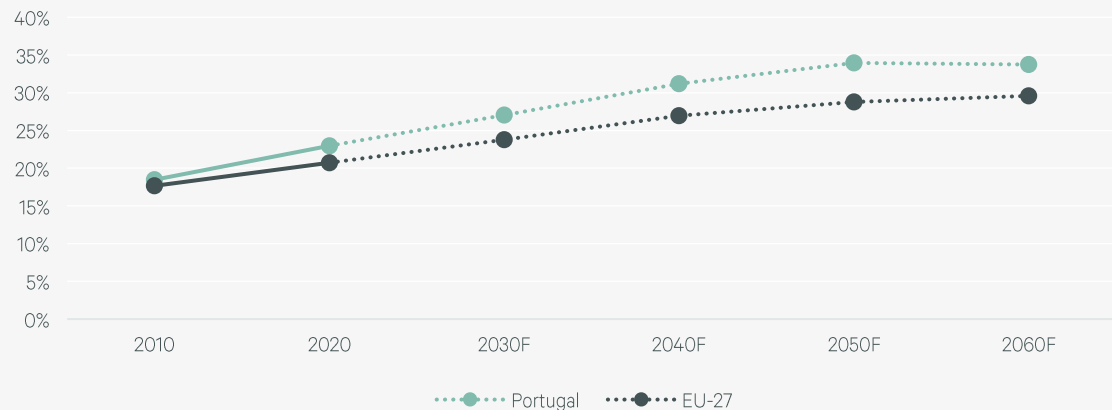
**Elderly population in Portugal**



Source: CBRE Research via INE

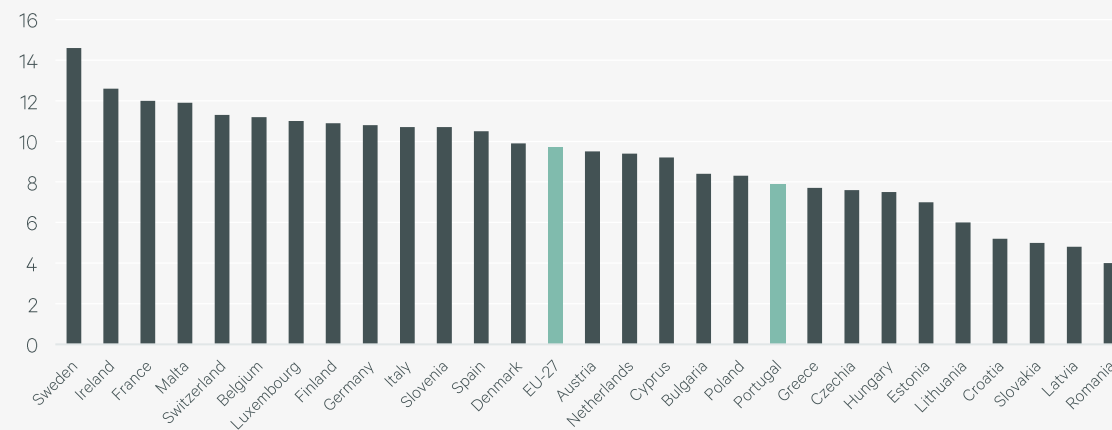


**Percentage of population aged 65 years and over**  
Portugal vs EU-27



Source: CBRE Research via Eurostat

**Healthy life years at age 65**



Source: CBRE Research via Eurostat (most recent data related to 2021)

# Portugal is the 3<sup>rd</sup> oldest country in Europe and will be the 1<sup>st</sup> by 2050

The share of elderly people continues to increase all over Europe. Portugal has remained above the European average and this scenario is foreseen to continue in the future.

In 2020, **23% of Portuguese population had more than 65 years old**, while in the EU-27, this percentage was slightly below (21%). Until 2060, Portugal is expected to increase the share of elderly population to 34% (30% in EU-27).

At the same time, Portugal has seen a steady increase in life expectancy over the years (although a decrease was seen in 2019 due to the Covid-19). In 2022, life expectancy in Portugal was **81.8 years**, compared to 80.6 years in EU-27.

Portugal is the 3<sup>rd</sup> oldest country in Europe and, by 2050, will be the 1<sup>st</sup>. Despite a long-life expectancy, the number of years of healthy life at senior age is low.

With the ageing of the population, the dependency ratio - which reflects the number of elderly people (aged 65+) for every 100 people of working age (aged 15-64) - is expected to **double in the next 30 years** (35 in 2020 to 67 in 2050), becoming the highest in Europe.

**81.8<sub>Y</sub>**

Life Expectancy in Portugal in 2022



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# Main Concepts



## Hospitals

General healthcare institution providing all kinds of treatment, with or without an emergency service. In Portugal, hospitals can be private, public or public-private partnerships and are mainly regulated by the Ministry of Health.



## Continued Care Units

Units that aim to provide health care and social support in a continuous and integrated manner to people who, regardless of age, are in a situation of dependency due to acute illness or in need of prevention of the worsening of a chronic disease. Comprise public and private entities, the latter providing care under agreements signed with the Government.



## Nursing Homes/ERPI

Defined as Residential Structures for the Elderly (ERPI), are commonly known as “lares” - establishments for collective housing, for temporary or permanent use, where social support activities and nursing care are provided for the elderly. These units are regulated by the Social Security Institute and by the Ministry of Health.



## Independent Senior Living

Homes designed for independent and healthy seniors who want to live integrated in a community. They are not subject to any specific legislation other than urban licensing.

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02

## Healthcare Market Overview

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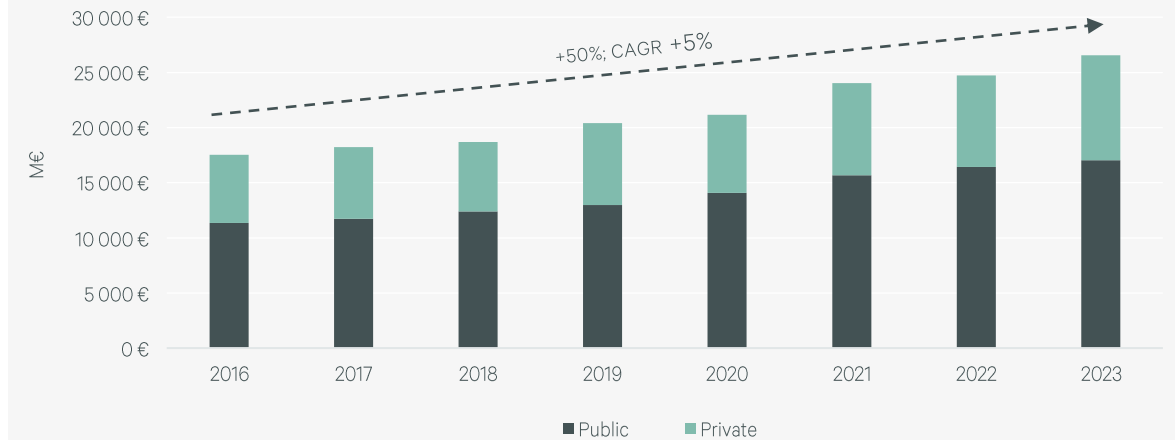
# Outpatient care account for ~50% of health expenditure

Official data shows that the amount spent on health has been increasing year after year, reaching **€26.5 billion in 2023** (10% of the Portuguese GDP), 50% more than in 2016 - 65% corresponds to the public sector and 35% to the private sector.

Outpatient care accounted for 46% of health expenditure in Portugal, totalling €1,074 per capita, slightly above the EU average. On the other hand, spending on hospitalizations and pharmaceutical products (€600) were considerably below the EU average.



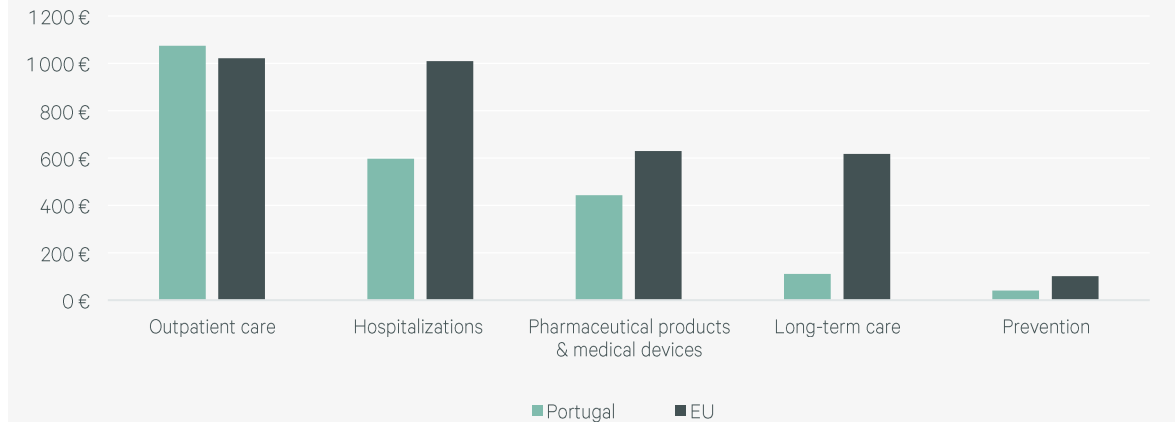
**Current expenditure on health**



Source: CBRE Research via INE

**Expenditure on health**

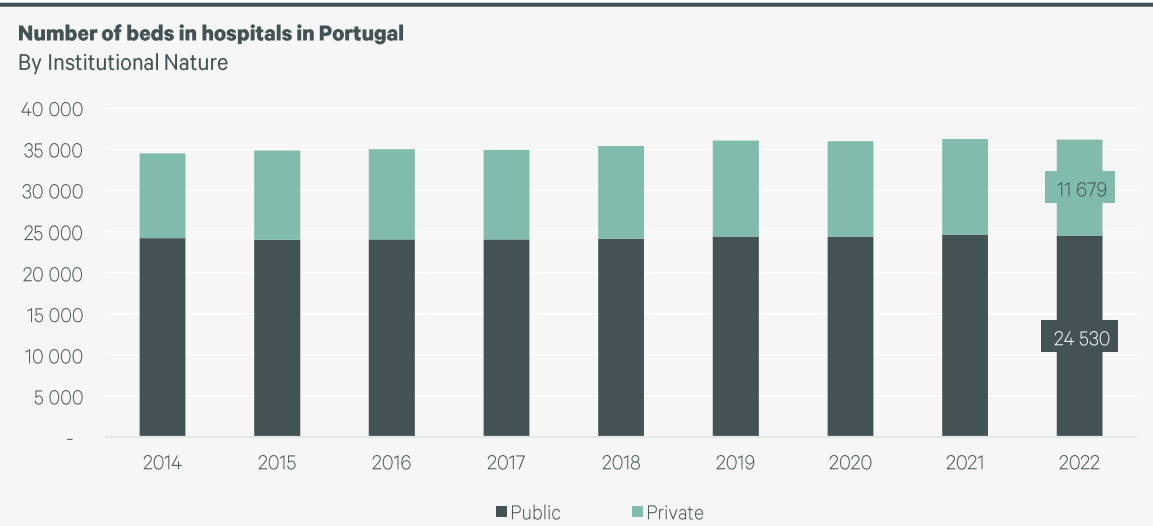
Per capita by categories



Source: CBRE Research via Eurostat and OECD (2019)



Source: CBRE Research via INE



Source: CBRE Research via INE

# Private sector owns 32% of the total of hospital beds

In Portugal, there are **243 hospitals (more than 36,000 beds)**, of which 112 belong to the public sector (only Hospital de Cascais operates as a private-public partnership).

The private sector thus has a high weight and represents 54% of the hospitals supply - this means 131 hospitals with c.11,700 beds.

The number of hospitals remained stable between 2014 and 2017 but, since that year, increased 8%, with the opening of 18 new facilities, of which only one is public, showing the increase interest and willingness to invest in the healthcare sector from private operators.

Although the private sector domains in Portugal, **public facilities accounted for 68% of all beds**, totalling 24,500. But in line with the hospital openings, also the number of new beds in the public sector has been increasing in a slower rhythm than in the private.

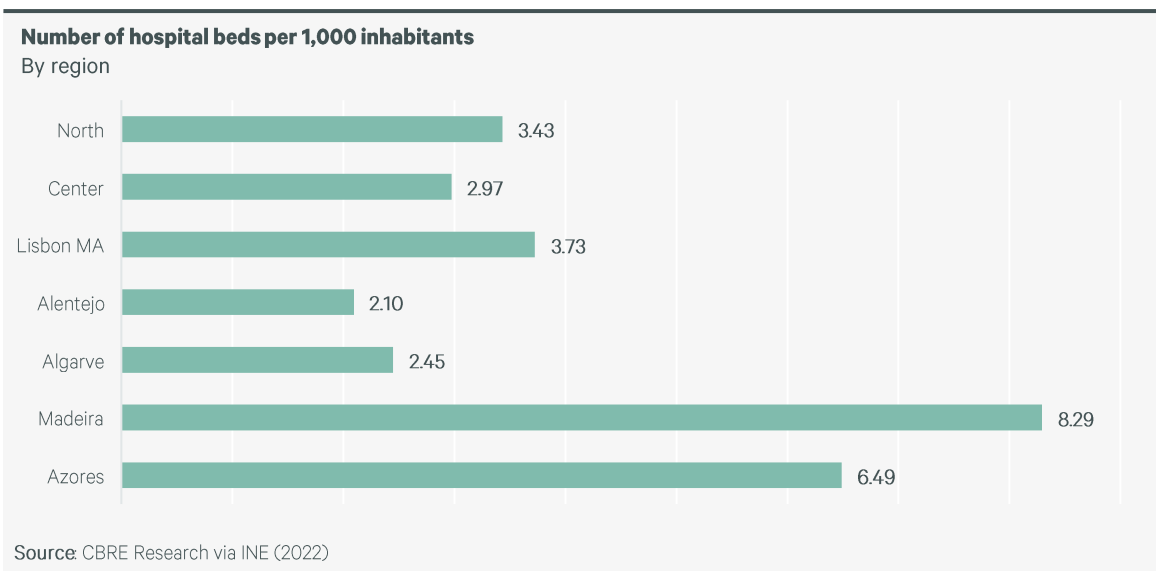
**131**  
Private Hospitals  
2022

# Larger operators represent 35% of private beds

The ratio of beds in hospital units is well below the European average, with **3.5 beds per 1,000 inhabitants** in Portugal (2022), compared to 5.3 beds in Europe (in 2021). In Portugal, the discrepancy between the density of supply on the mainland and islands is accentuated. Due to increased pressure on the National Health System (NHS) in recent years, there has been a significant rise in the establishment of private hospitals and clinics, primarily by the top 5 operators.

In Portugal, the main private groups operating in hospital care are Luz Saúde, José de Mello Saúde (CUF), Trofa Saúde, HPA Saúde e Lusíadas, that have been investing not only in their equipment and human resources, but also in the quality and comfort of their facilities. These operators are mostly concentrated in **Lisbon and Porto metropolitan areas**, as well as in the coastal zone, and represent 35% of the private beds in Portugal (more than 4,100 beds in total).

In addition, these groups have been extending their area of activity, mostly through **clinics with outpatient capabilities** and units dedicated to **complementary diagnostics**.



Operator	#Units*	#Beds
Trofa Saúde	20	>1,300
LUZ SAÚDE	30	>1,100
JOSÉ DE MELLO	24	>1,000
Lusíadas Saúde	14	>400
GRUPO HPA SAÚDE PRIVATE HEALTH	20	>300

Source: CBRE Research | \*Hospitals and clinics

# 1/3 of the Portuguese population has a private health insurance

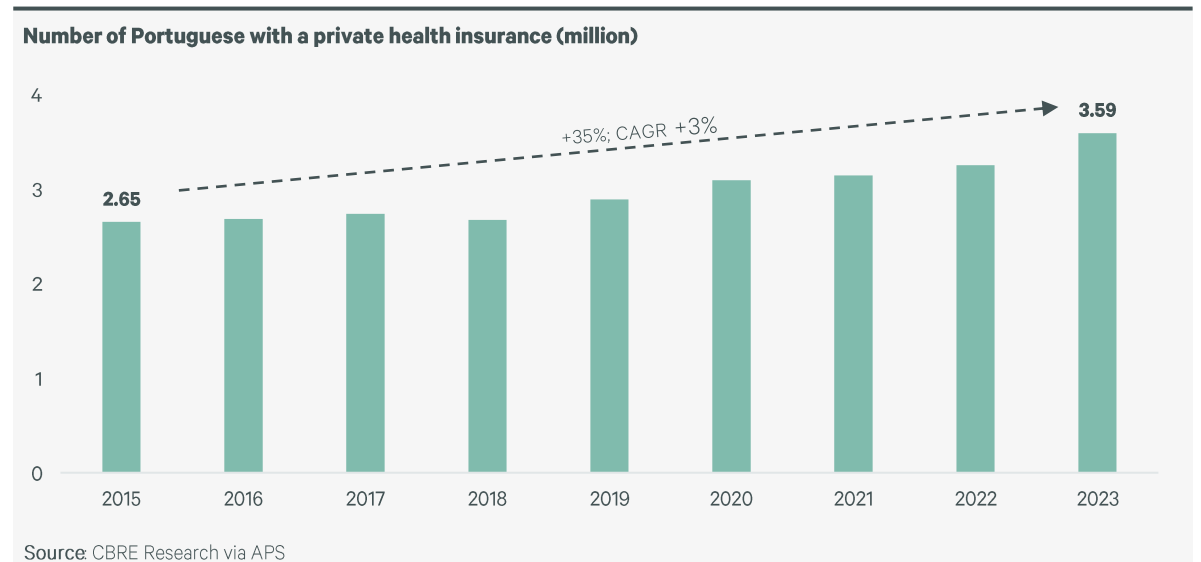
Being covered by a health insurance is becoming a widespread practice in Portugal. Currently, 3.6 million of Portuguese - a third of the inhabitants of Portugal - have private health insurance. With the pandemic of Covid-19, there was a significant demand for health insurance, which was reflected in a **7% increase in the number of insured people in 2020** compared to the previous year. And this number has been continuing to increase.

Health insurance is an alternative and complement to the NHS and the main benefit is the access to medical care in the private sector at lower prices, specially when the NHS has been facing several deficient constrains. It is paid monthly and, depending on the age group and the range of services provided, offers a variety of medical services. In the first semester of 2023, the **average annually cost of a health insurance in Portugal was c.€360**, which represents a 4.3% increase compared to the previous year.

There are 26 health insurance companies in Portugal. The largest insurers are Multicare (Fidelidade Group) and Médis (Ageas Group), which together account for 68% of the market. It should be noted that **more than 90% of the companies in Portugal offer their employees health insurance benefits**.

## €360

Average annually cost of a health insurance in H1 2023

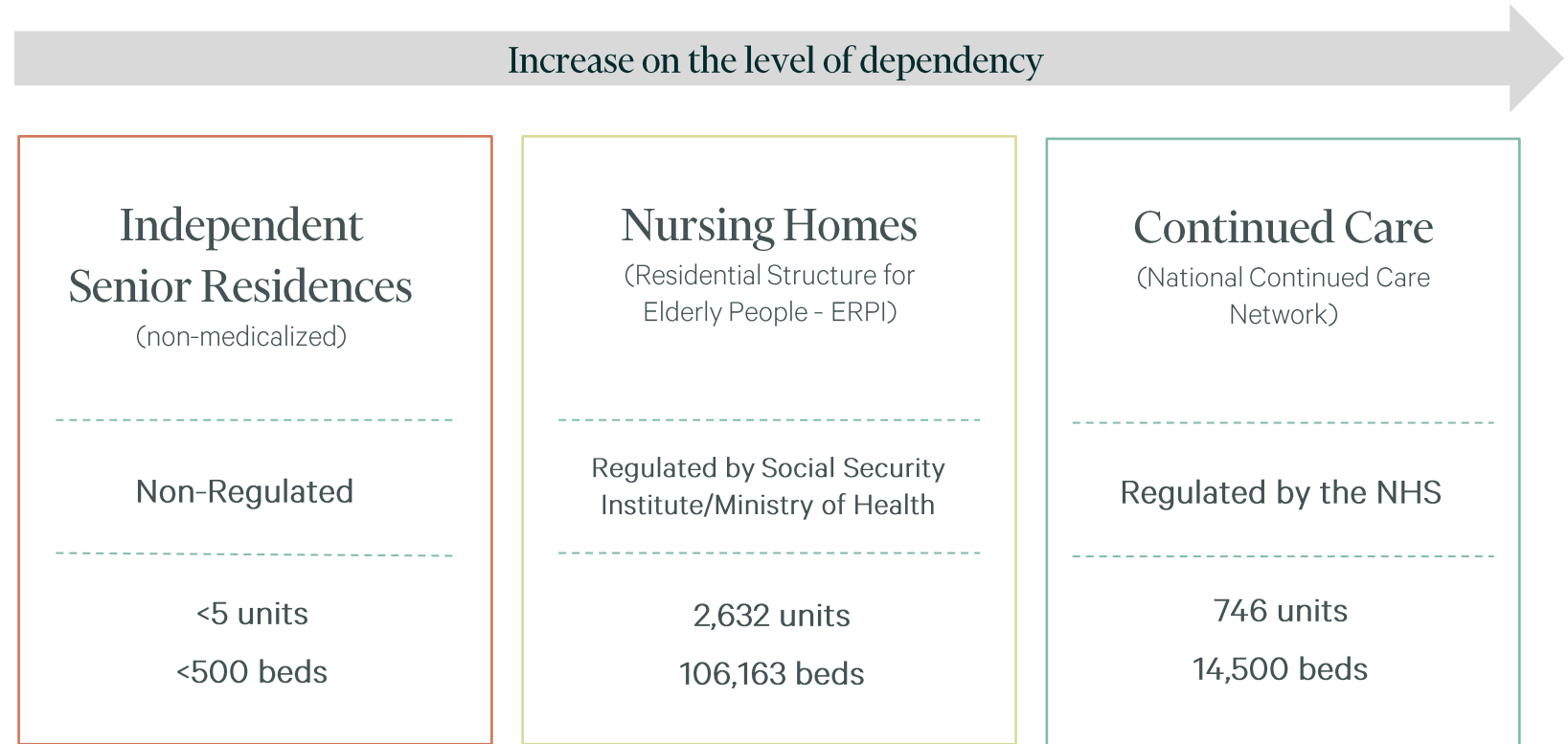


03

## Senior Living Market Overview

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# Senior Living in Portugal



Source: CBRE Research | 2023





## Continued Care

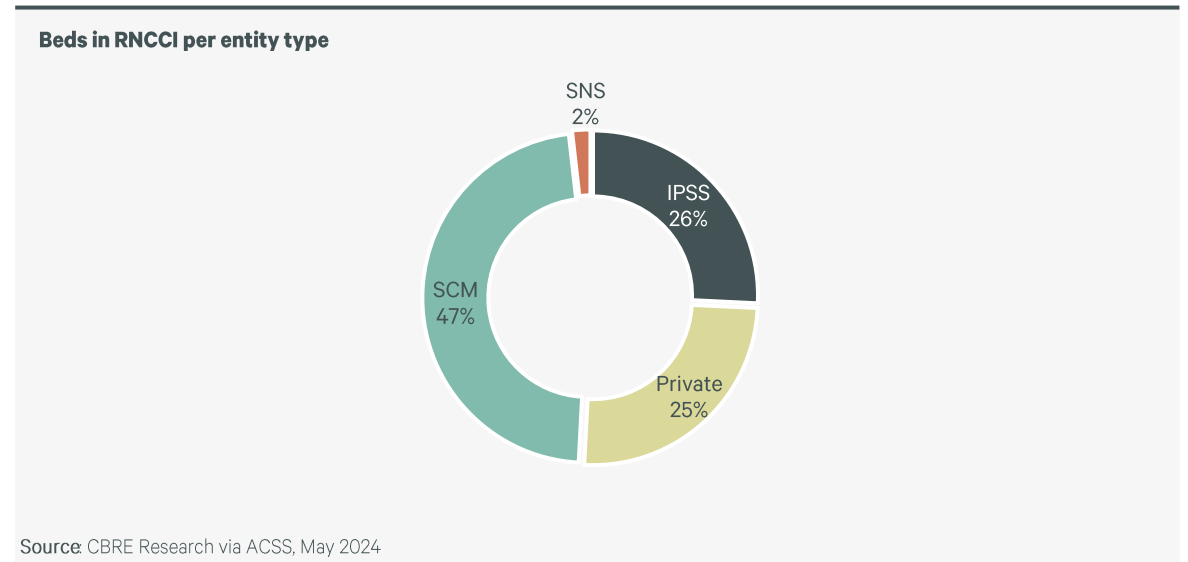
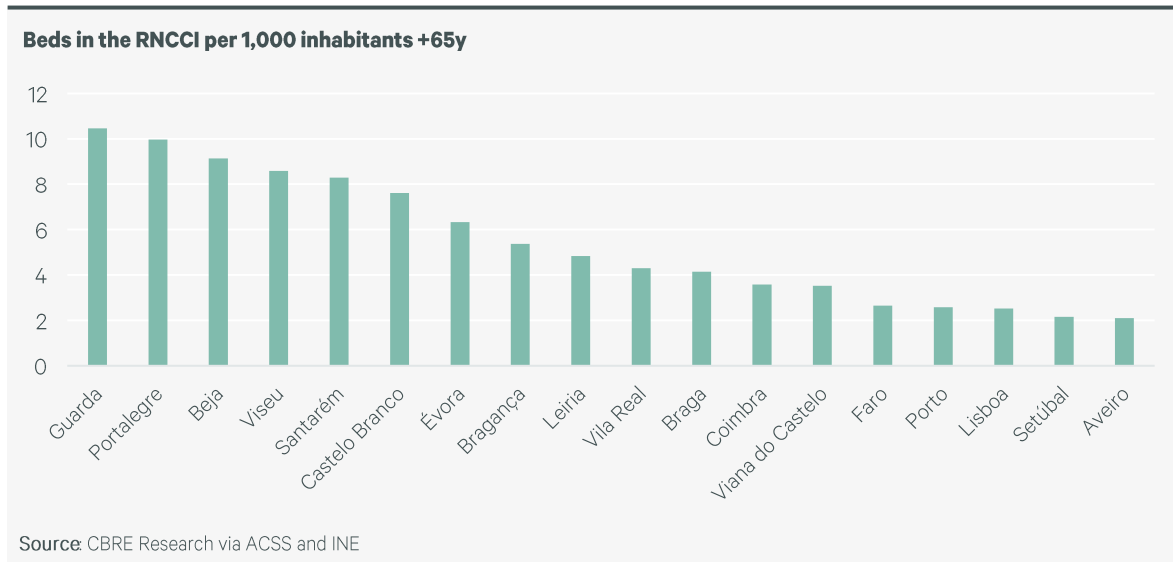
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# Only 2% of the beds in the continued care network are public

There are **377 continued care units in Portugal**, comprising a **total of 9,771 beds**, distributed into Convalescent Units (CU), Medium Duration and Rehabilitation Units (UMDR) and Long Term and Maintenance Units (ULDM). Only 2% of the beds in the Continued Care Network (RNCCI) belong to the National Health Service (SNS), while the vast majority is managed by non-profit entities, namely the Mercy institutions (Santa Casa da Misericórdia - SCM) and Private Institutions of Social Security (IPSS).

The lack of beds in the SNS is severe, particularly in the districts of Lisbon and Porto. In 2023, there were more than **1,800 people waiting for a bed in the RNCCI**, which represents a 37% increase in two years - while the number of patients on the waiting list has risen abruptly, the number of beds has practically stagnated.

Through the Recovery and Resilience Plan (PRR), approved in 2021, Portugal has set the goal of reinforcing with 7,400 beds the responses in the RNCCI and RNCP in inpatient and outpatient places by 2025, including **5,500 inpatient beds at RNCCI**, either in existing or new units – increasing, therefore, to around 15,000 beds (+55%).



**Daily value paid by the State (per bed/per person) in the Continued Care Units**

Long Term and Maintenance Units	€83,47€
Medium Duration and Rehabilitation Units	€102,75€
Convalescent and Palliative Units	€118,04

Source: Portaria n.º 74/2024; Analysis CBRE Research

## Price

The medium established price in a private senior residence with personalized management and medical assistance is approximately **€1,400–€1,850**.

## Pension

The medium value paid for elderly pensions by Social Security is **€526.80/month** and the value of pensions for public sector workers, paid through the CGA, is much higher, with an average value of **€1,342**.

# Private sector manages 25% of the beds in the continued care network

Given the difficulty of the SNS in ensuring beds in continued and palliative care, the State, through ISS and the Regional Health Administrations (ARS), signs **"Program Contracts" with private institutions**, which undertake to allocate beds for the RNCCI on their premises.

These "Program Contracts" preview a daily amount paid by the State to these institutions, which goes from €83 per person, a day, in the long term and maintenance units to €118 in the convalescent and palliative units.

**Private companies manage ~2,450 beds**, that represents 25% of the national offer. Montepio Residências (575 beds), Domus VI (345 beds) and Naturidade (~300) are the private entities with the highest number of beds in continued and palliative care units.

However, CBRE notes that, although managed by private entities, the real estate of some units are owned by the municipalities. The lack of response in continued care units is reflected in the high occupancy rates, which reach 98% in Long-Term and Maintenance Units.

Through the Recovery and Resilience Plan (PRR), approved in 2021, Portugal has set the goal of **expanding by 7,400 the responses in the RNCCI and RNCP** in inpatient and outpatient places by 2025, including 5,500 inpatient beds at RNCCI, either in existing or new units.



## Nursing Homes

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# More than 90% of the ERPI in Portugal are occupied

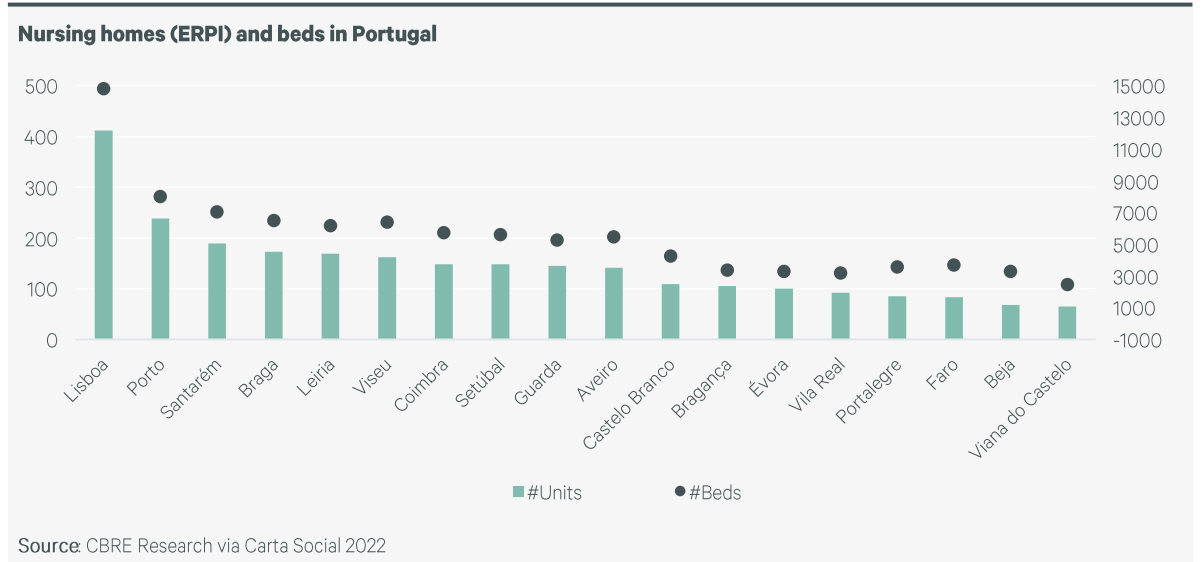
Portugal has 2,632 Residential Structures for the Elderly (ERPI) – also known as nursing homes –, comprising 98,248 beds. The number of ERPI increased 178% between 2000 and 2022. 25% of the beds are under the management of for-profit companies.

Most nursing homes are family-run and small - the average size in Portugal is 40.3 beds, much lower than in other countries where the market is more mature. In 2022, 91.8% of the ERPI were fully occupied in Portugal.

Also in 2022, more than 70% of users were in ERPI services for a maximum of 5 years. However, almost 10% had already been in these structures for 10 or more years.

## 91.8%

ERPI's occupation rate  
2022

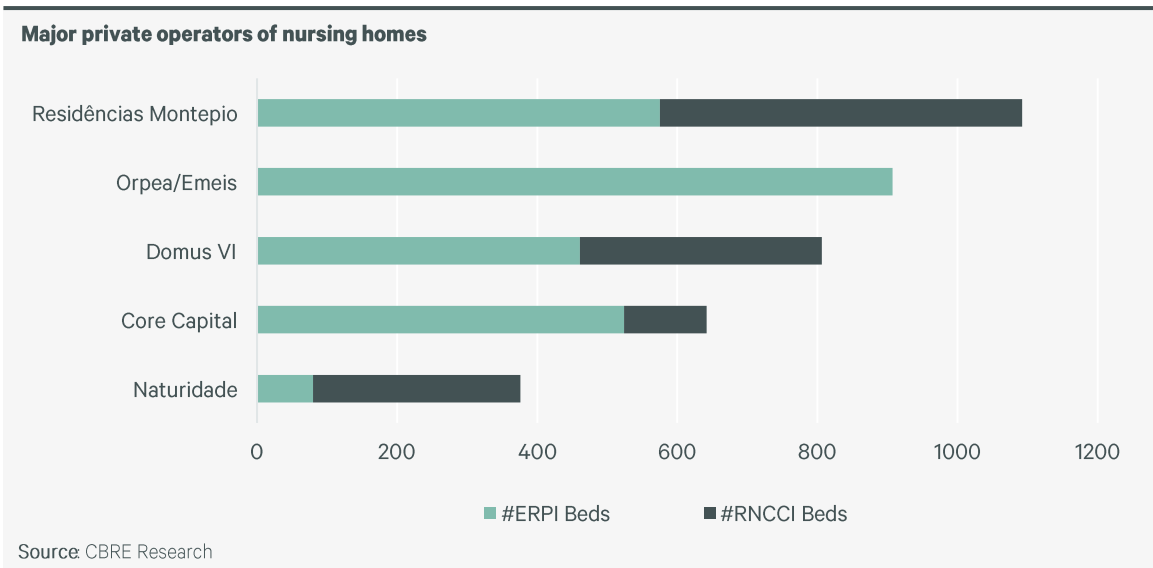







# For-profit companies manage 25% of the beds in nursing homes

In a total of 2,632 ERPI in Portugal, 1,831 are public and 801 are private or have some kind of partnership with the NHS. 25% (25,965) of the more than 106,100 beds in ERPI in Portugal are under the management of for-profit companies.

The five largest private operators have more than 3,820 beds, which represents around 15% of the private bed supply. There is a strong complementarity between the services provided by nursing homes and continued medical care, and most of the large private operators are also part of the RNCCI.

The average size of nursing homes in Portugal is 40.3 beds, much lower than in other countries where the market is more mature.



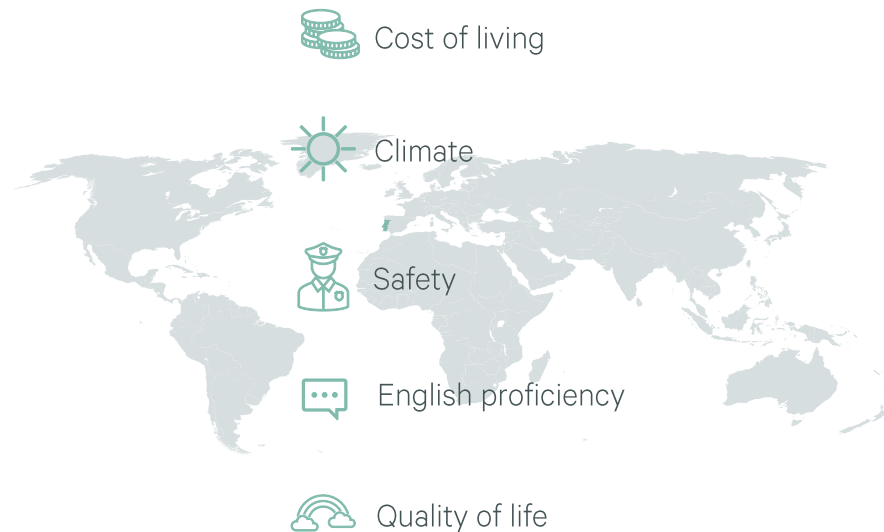
Operator	#Units	#Beds*
 Residências Montepio	9	1,092
 Orpea/Emeis	10	907
 Domus VI	8	806
 PSHC Portugal Senior Health Care	9	642
 NATURIDADE	7	376

Source: CBRE Research | \*RNCCI and ERPI



## Independent Living

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## Price

Price for stays in independent living condos varies considerably, depending on the location, type and contracted services. The minimum price for a high-end residence is around €2,000/month.

# Senior independent living offer is practically non-existent in Portugal

A longer average life expectancy and a greater number of years of healthy life, together with a growing trend towards loneliness, lead to the demand for residential spaces integrated in communities exclusively for seniors. These are often condos which offer not only long stays, but also short stays, similar to a vacation period.

In this type of units, the elderly not only find the comfort and company they need but also a set of **equipment and services usually available in a hotel**, namely: catering, cleaning and laundry services, social activities, swimming pool and spa, hairdresser and gym.

The senior independent living offer is practically non-existent in Portugal. We point out Monte da Palhagueira in Algarve from the British group Amesbury Abbey, as well Bynd Senior Residence Libervita and Lifeplan, all of them in the Lisbon region.

In most cases, projects also comprise a nursing home supply, giving the complementarity of the two offers. Other operators, such as the French Domitys and the Portuguese UHub, have developments underway to enter this segment.

Although the offer, both existing and under development, **is predominantly targeted at the high segment**, there are also operators studying projects aimed for the middle class.

The foreign senior population is also targeted by several operators. Effectively, several factors such as safety, climate and tax incentives have contributed to attract retired foreigners to Portugal, and a residential offer, with a strong community component, meets the needs and lifestyle of this segment.



04

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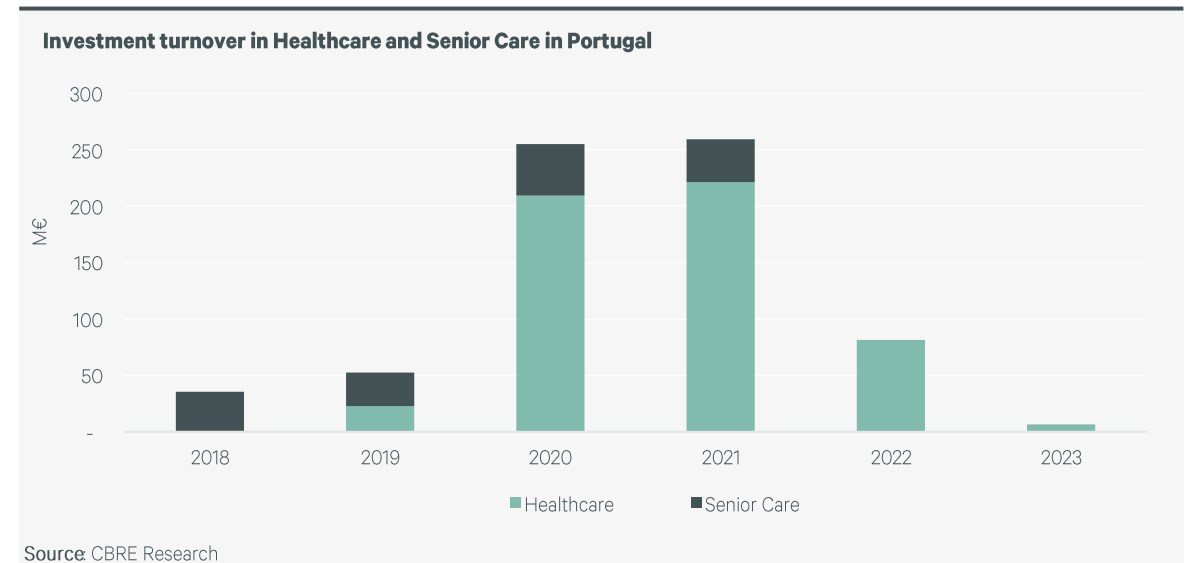
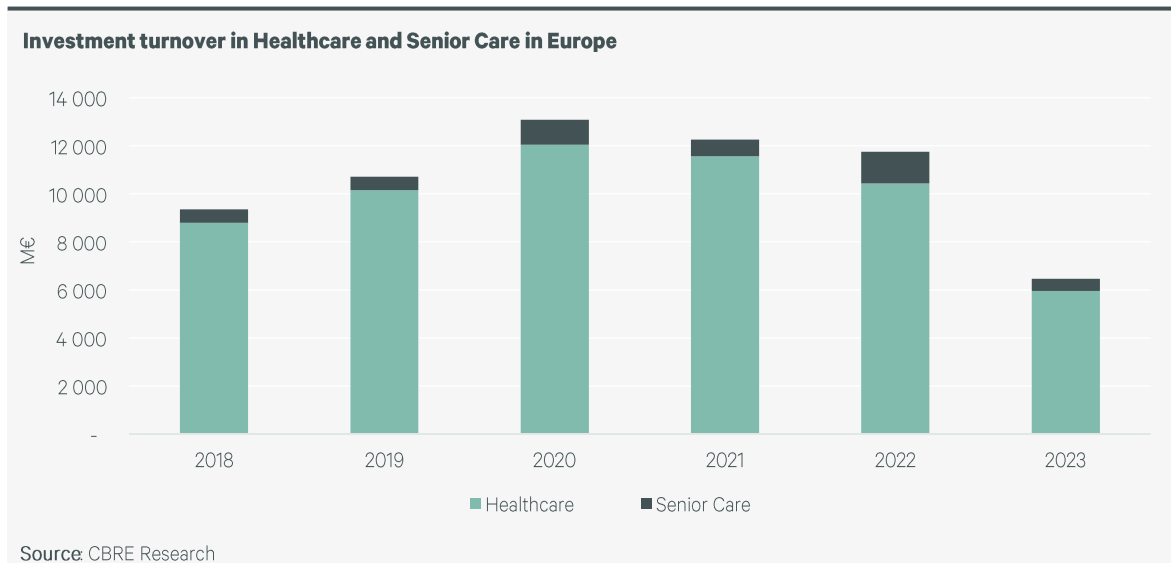
Investment Market

# Healthcare and Senior Living concentrate 4% of the total investment volume in Europe

Despite not having a significant weight in the total real estate investment turnover in Europe, capital inflow in these sectors has seen significant growth – since 2018, a total of €63.5 billion were invested in these asset classes, which corresponds to **4% of the total investment in Europe**. In Portugal, investment was high in 2020 and 2021 due to three relevant portfolios.

Although there were no senior care transactions since 2021 in Portugal, there are a few operations in pipeline, surpassing €50 million. CBRE believes that the development of new projects and the entry and expansion of several operators will boost investment in this asset class in the coming years, namely through **forward-purchase and forward funding contracts**.

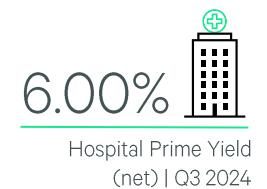
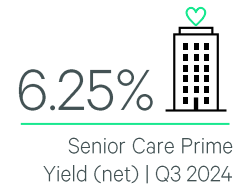
The deals that are being negotiated for properties within central locations, with lease contracts and strong covenant operators, indicate a net prime yield of 6% in hospitals and 6.25% in senior care.



# Investors prefer contracts with long-term leases

The deals that are being negotiated in the Healthcare and Senior Care sectors, for properties within central locations, with lease contracts and strong covenant operators, indicate a net prime yield of 6% in hospitals and 6.25% in senior living.

Investors prefer contracts with **long-term leases**, from around 15 to 20 years, although a maximum 30 year is allowed in Portugal. However, some operators prefer shorter periods, typically 15 years, due to the impact of IFRS 16 (global standard for lease accounting).



## Main Deals

### Soul

#### Key Facts

Year 2022

Sector Healthcare

Location Lisbon and Coimbra

#Assets 2

Value Confidential

Acquisition by Healthcare Activos of a portfolio of two hospitals leased to Luz Saúde located in Lisbon and Coimbra.

### Heart

#### Key Facts

Year 2021

Sector Healthcare

Location Lisbon, Porto and Algarve

#Assets 7

Value > €200M

Acquisition by Praemia Healthcare (ex-locade Santé) of a portfolio of seven hospitals from Fidelidade. The assets are in Lisbon, Porto and Algarve.

### Orpea

#### Key Facts

Year 2019

Sector Senior Living

Location Setúbal (Lisbon MA)

#Beds 120

Value > €30M

Acquisition by Orpea of a portfolio of Porto Salus senior residences and a hospital in Setúbal.

### Memoville

#### Key Facts

Year 2019

Sector Senior Living

Location Sintra (Lisbon MA)

#Beds 174

Value Confidential

Acquisition by Pierval Santé of a senior residence in Sintra with 174 beds.

# Contacts

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