

HEALTHCARE SECTOR

Spring 2025

Healthcare Trends

Patient Empowerment Leading to Organizations Reframing Patient Care



■ Patient Expectations

The democratization of information is helping to empower patients to be more involved in making their own medical decisions.



■ Labor

The shortage of workers remains a key hurdle, with organizations vying to attract and retain talent, including focusing on worker well-being.



■ Digital Transformation

The industry has been slow to adopting digital technologies, but many health systems are investing to catch-up and remain competitive.



■ Cybersecurity Concerns

The proliferation of digital health records and IoT devices is creating an increased need for data protection.



■ Tariffs

The placement of tariffs on medical supplies, particularly Chinese made products, are affecting supply chains and may impact bottom-lines.



■ Healthcare M&A

Although macro-economic trends are not ideal, healthcare M&A continues to transform the market.

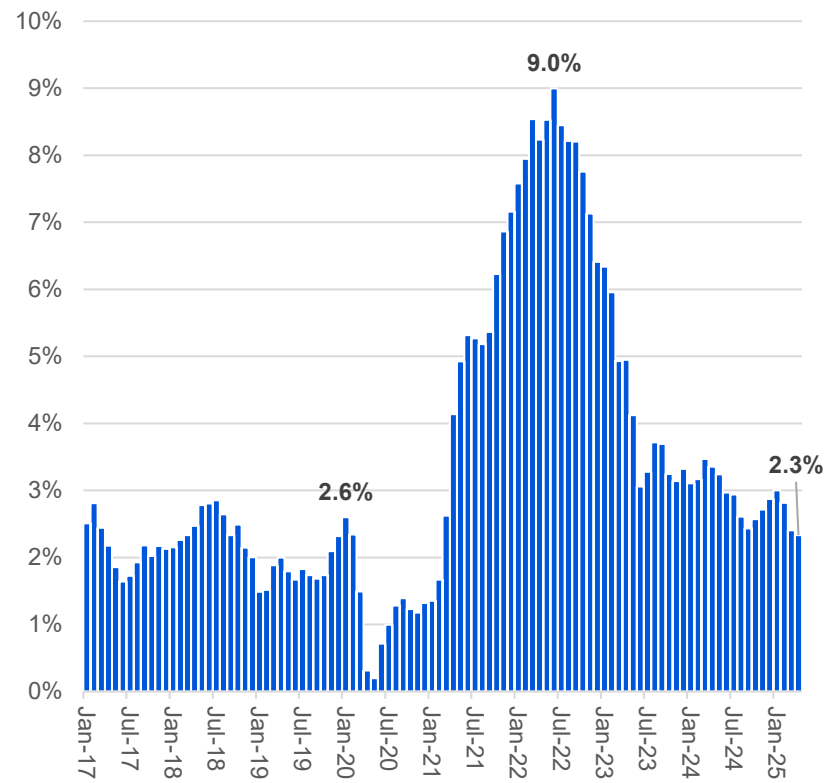


The annual increase of the Consumer Price Index fell to 2.3 percent in April, the lowest rate pandemic recovery period. After several increases in interest rates to help curb inflation, the Fed cut rates in September by 50-basis points and have held steady through March. Still, inflation is generally elevated and there is fear among some economists that further tariff increases may negatively impact inflation moving forward.

Economy: CPI

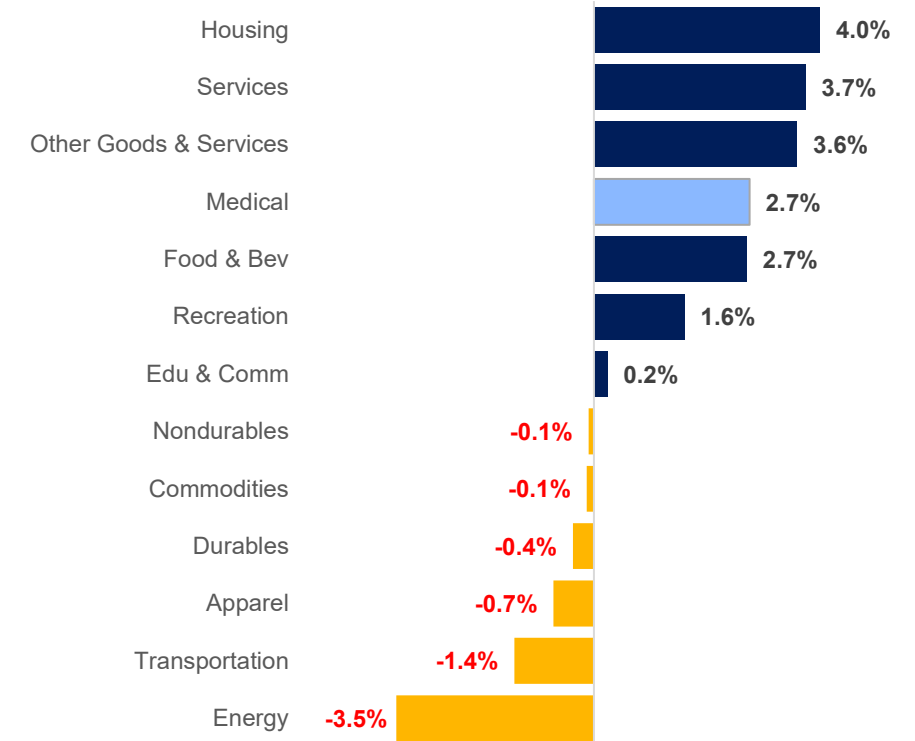
Inflation Falls Closer to Pre-Pandemic Levels, as Medical Sector Ticks Higher

Consumer Price Index (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Consumer Price Index (CPI) thru April 2025

Consumer Price Index by Sector (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Consumer Price Index (CPI) thru April 2025

Both medical care commodities and services have seen inflation remain generally below overall inflation. However, medical services have seen an increase since the summer of 2023. Medical care commodities, which includes medicine and medical equipment has been muted in terms of inflation. However, the threat of tariffs may push commodities higher in the near- to mid-term.

Medical care commodities

are tangible goods used in medical treatment, like prescription and non-prescription drugs, and medical equipment and supplies.

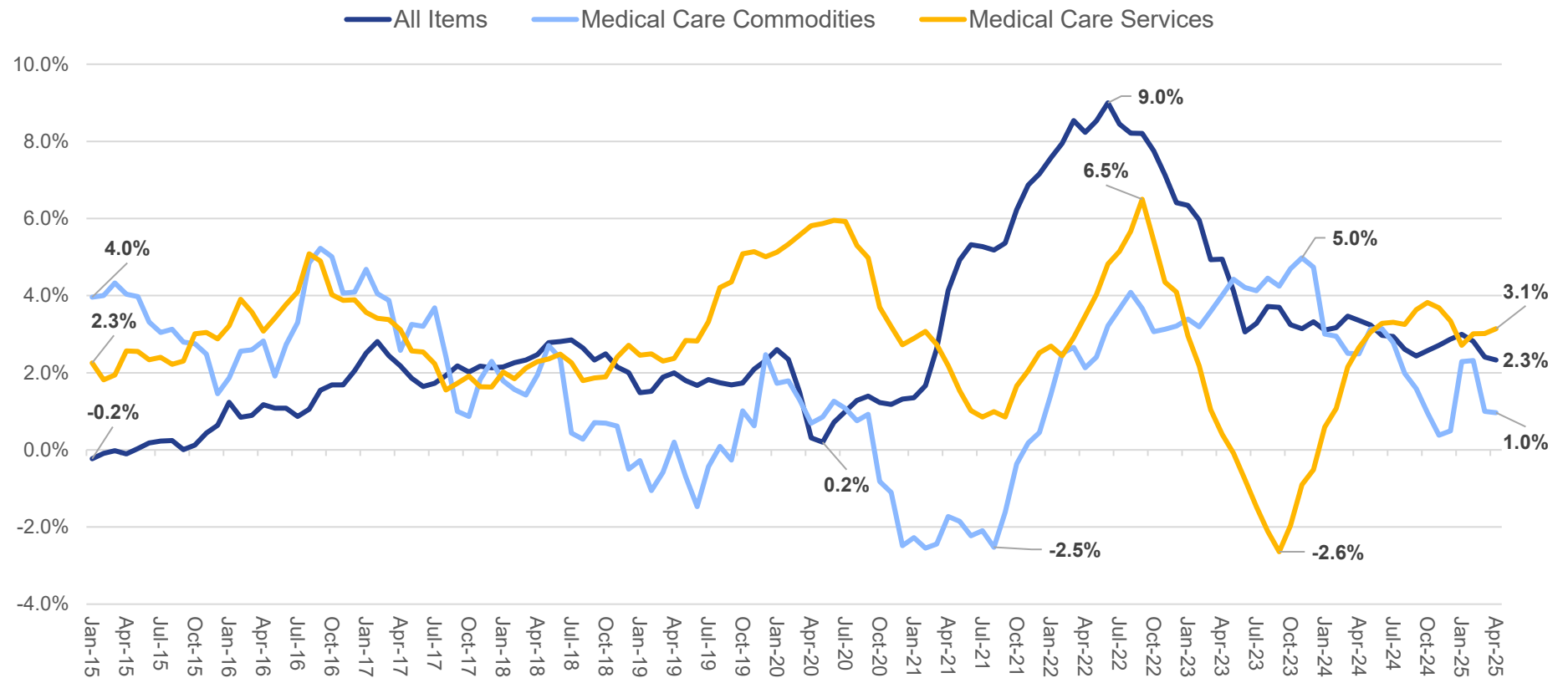
Medical care services

encompass a broad range of healthcare services designed to address illnesses, injuries, and promote overall well-being.

Economy: CPI for Medical Care

Inflation Drops for Both Medical Care Commodities and Services

Consumer Price Index (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Consumer Price Index (CPI); thru April 2025

In March 2025, the U.S. economy added 228,000 jobs, exceeding expectations. The job market has remained resilient despite macro-economic headwinds. Healthcare jobs led gains, adding 54,000 jobs in March. Other notable gains were in social assistance and warehouse and transportation sectors. The education and healthcare sector has added nearly 900,000 jobs in the past year, far outpacing all other sectors.

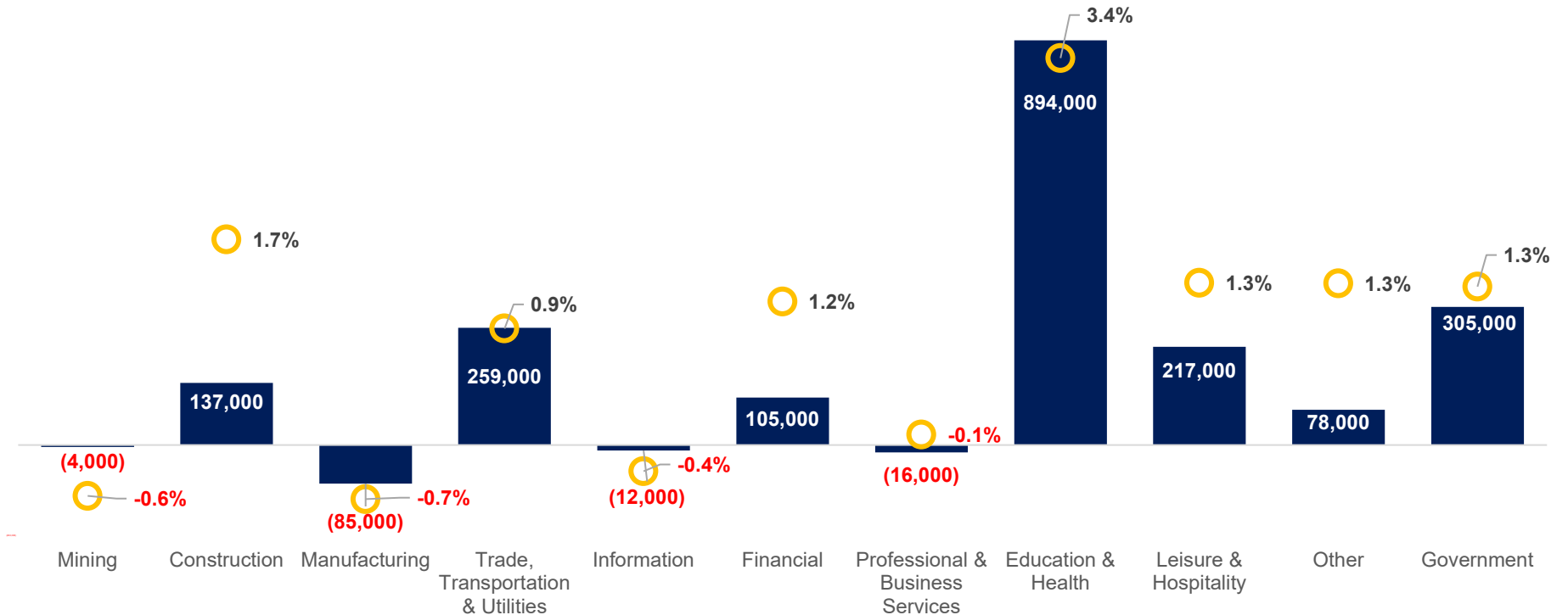
Labor

Education/Healthcare Add Nearly a 900,000 Jobs in the Past Year

Job Creation by Sector (12-Month Change)

■ Jobs Added

● Percent Change



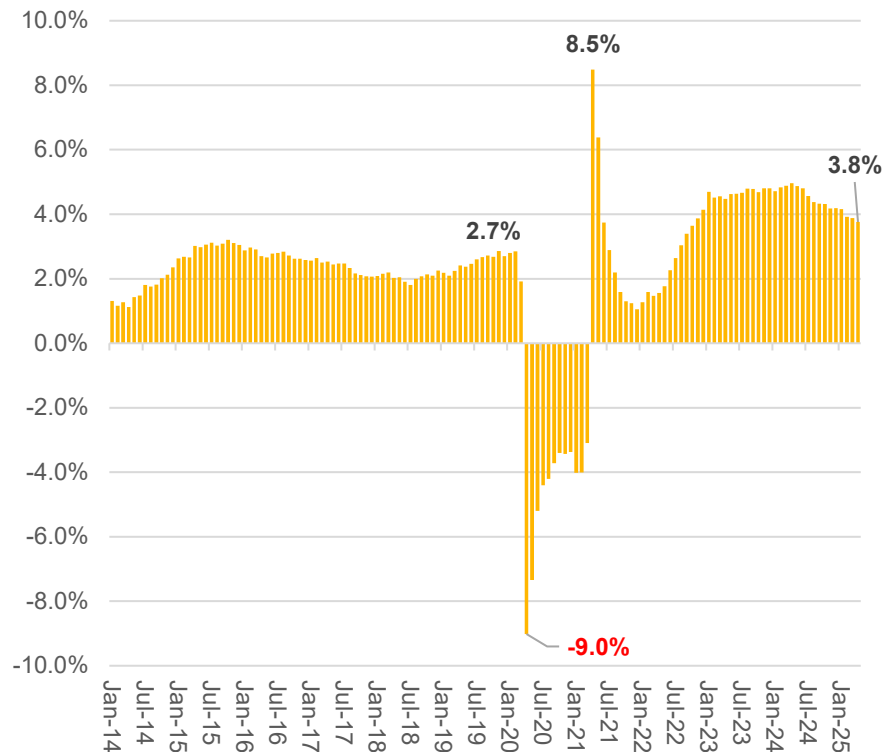
Source: U.S. Bureau of Labor Statistics, <https://bls.gov> thru March 2025

The healthcare and social assistance sector have consistently outperformed annual growth percentages compared to the pre-pandemic era. While job growth is slowing, it remains elevated, reaching an all-time high employment level in March. Proposed cuts to Medicaid may slow or alter anticipated future healthcare job growth.

Labor

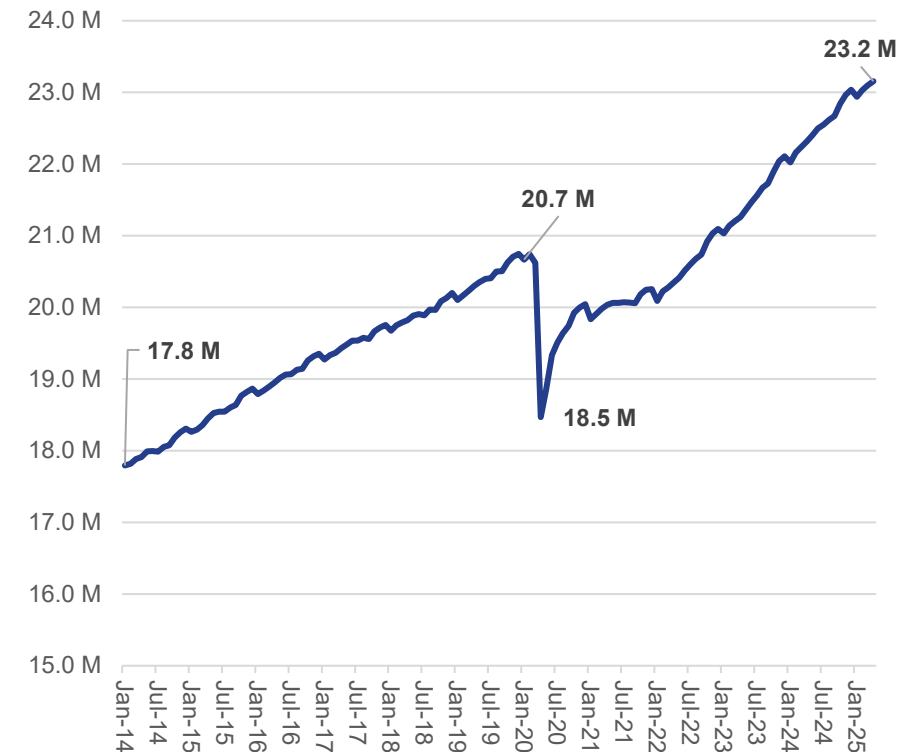
Healthcare Job Creation Continues to Outperform Other Sectors

Healthcare & Social Assistance (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov> thru March 2025

Healthcare & Social Assistance Jobs



Source: U.S. Bureau of Labor Statistics, <https://bls.gov> thru March 2025

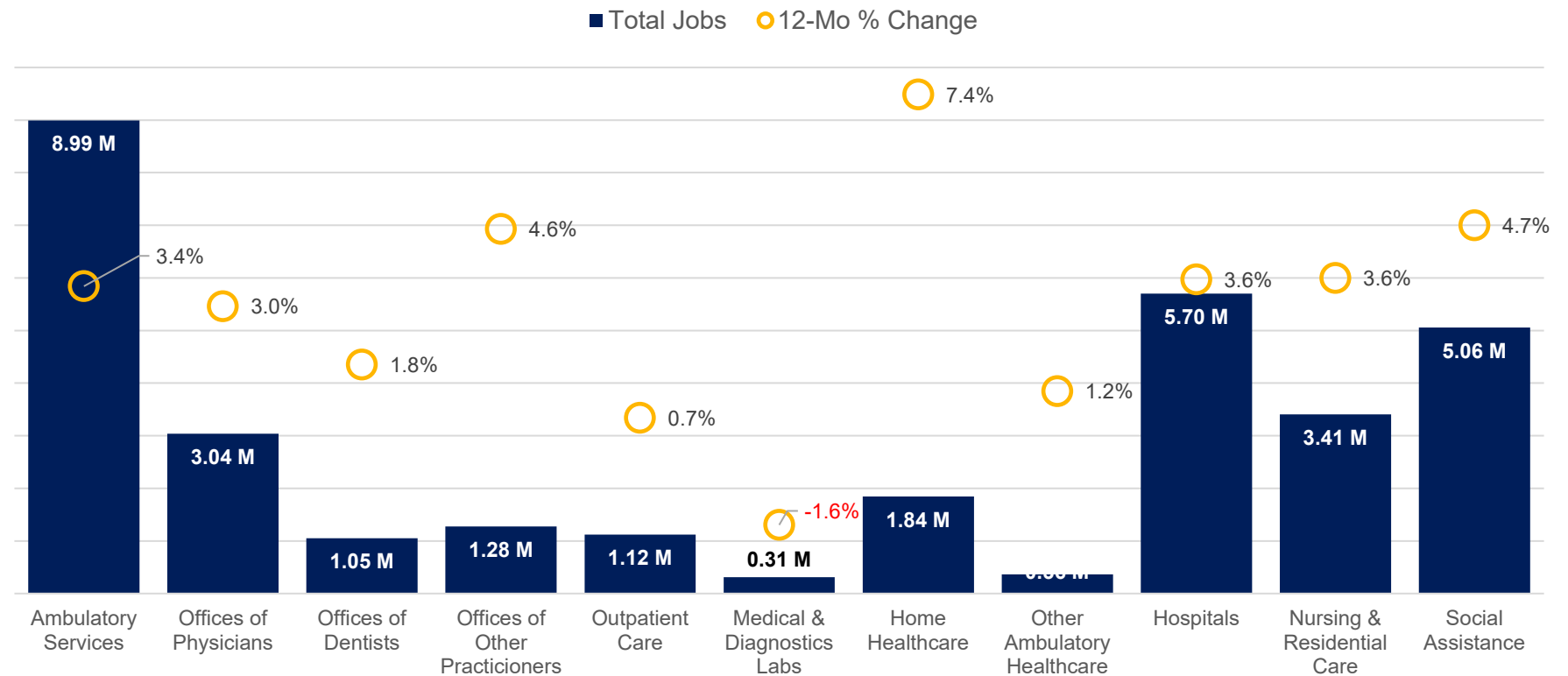
The home healthcare and social assistance sectors have grown by the highest percentage in the past year. There has been a rising demand for home care as an aging baby boomer generation need specialized care. Both hospitals and ambulatory healthcare have also added significant numbers of new jobs over the past 12-months.

Medical and diagnostic labs have slightly declined in the past year, which is surprising due to the general acknowledgement of a shortage of qualified medical and lab technicians.

Labor

Ambulatory Healthcare and Social Assistance Add the Most Jobs in the Past Year

Healthcare Sector Total Jobs & 12-Month % Change



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>
thru March 2025

Healthcare Real Estate Trends



**Healthcare Sector Hoping to Avoid The
Broader Downturn of the Economy**

Despite the volatility of the traditional office market, demand for medical office buildings (MOBs) has remained stable, and is in a better position to weather potential recessionary events than other industries. As the demand for decentralized care grows, health systems are investing in smaller, outpatient-focused facilities. The pipeline for new medical office building development has slowed but it is still healthy, with a more disciplined approach, including a focus on pre-leased or build-to-suit projects. Growth is stronger in suburban markets and in MOBs with ambulatory care, outpatient surgery, and chronic disease management. Health systems are increasingly entering joint ventures with private equity or REIT partners to mitigate risk and shield capital burdens.

Tenant View

- Tenants are increasingly requiring specialized buildouts and are willing to sign longer deals for higher TIs.
- Weak demand for traditional office space, and the shuttering of many well-located retail pharmacies, has presented an opportunity to re-purpose spaces for medtail and other MOB uses.
- Investors are attracted to MOBs due to the typically longer, stable leases, making them a target for institutional and private investors. An increasingly competitive landscape for investors will push lease rates higher to justify more aggressive underwriting.

Real Estate Trends

Medical Office Buildings – Top 10 Largest Metros: Fast Facts

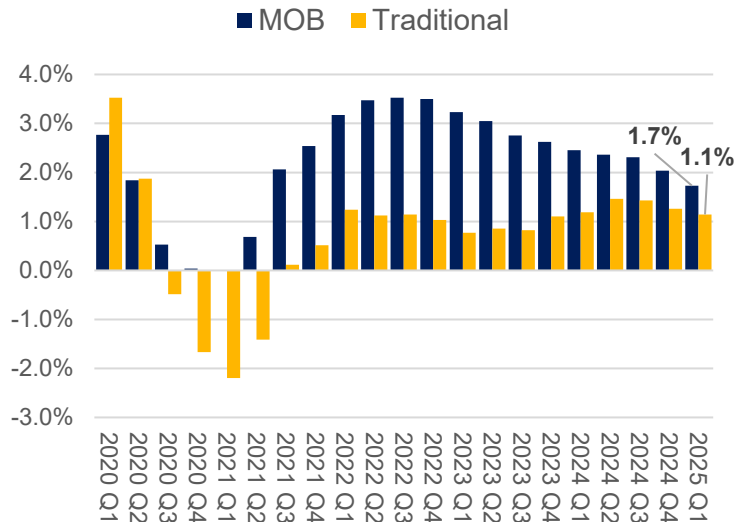
The US medical office building (MOB) market has slowed along with the broader economy but has avoided the plunge of the traditional office market. Net absorption has remained positive in the last 12-months, as occupancy in MOB's have held steady. Rent growth is slowing to pre-pandemic levels as new supply, particularly in large, mature markets, waits to be occupied. Market fundamentals need to be very strong for new spec development to break ground, but pre-leased and build-to-suit projects are moving forward.

Metro	Inventory SF	Asking Rent (\$/SF)	Rent Growth (12 mo.)	Occupancy Rate	Net Absorption SF (12 mo.)	Deliveries SF (12 mo.)	Under Construction SF
United States	1,496,344,710	\$27.62	1.10%	91.5%	7,060,779	9,355,608	9,316,002
New York	48,881,985	\$40.05	0.81%	89.6%	288,157	317,023	472,497
Los Angeles	39,925,063	\$41.81	0.55%	91.5%	121,541	51,518	139,627
Chicago	43,110,258	\$24.44	1.20%	88.7%	236,190	222,001	86,880
Houston	42,062,266	\$30.33	0.93%	83.6%	1,150,335	1,282,187	874,239
Dallas	37,272,961	\$31.82	1.21%	88.1%	281,626	245,467	848,806
Washington, DC	40,056,650	\$31.06	0.91%	88.1%	(81,200)	113,138	210,000
Philadelphia	32,848,198	\$27.10	0.26%	90.9%	(59,520)	73,319	66,485
Atlanta	30,304,695	\$27.75	1.50%	91.0%	269,716	331,195	49,248
Phoenix	23,483,433	\$29.78	1.88%	84.8%	(293,256)	231,136	296,500
Miami	15,377,160	\$48.99	2.25%	92.4%	(159,085)	45,829	169,577

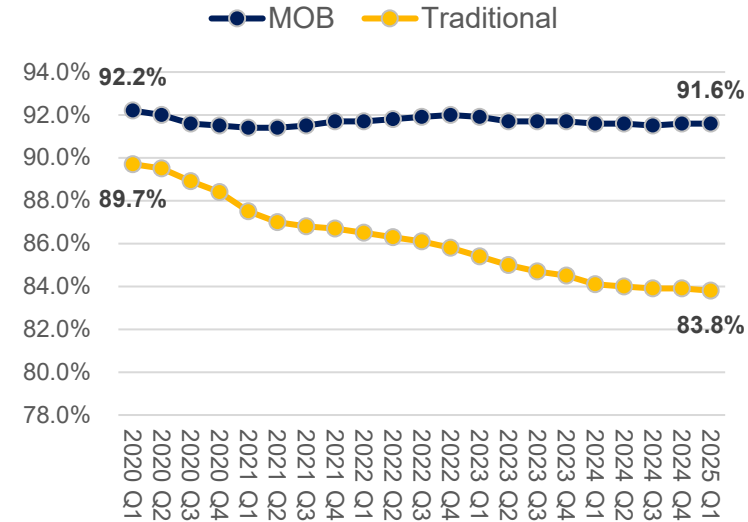
Real Estate Trends

Market	Rent Growth (12 mo.)	Occupancy Rate	Net Absorption SF (12 mo.)	Deliveries SF (12 mo.)	Under Construction SF	Under Construction SF as % of Inventory	Average Cap Rate
MOB	1.7% ↓	91.6% ↔	7,060,779 ↔	9,355,608 ↔	9,316,002 ↓	0.62% ↓	7.1% ↔
Traditional	1.1% ↓	83.8% ↔	4,616,100 ↑	47,372,936 ↓	73,814,269 ↓	1.00% ↓	7.4% ↑

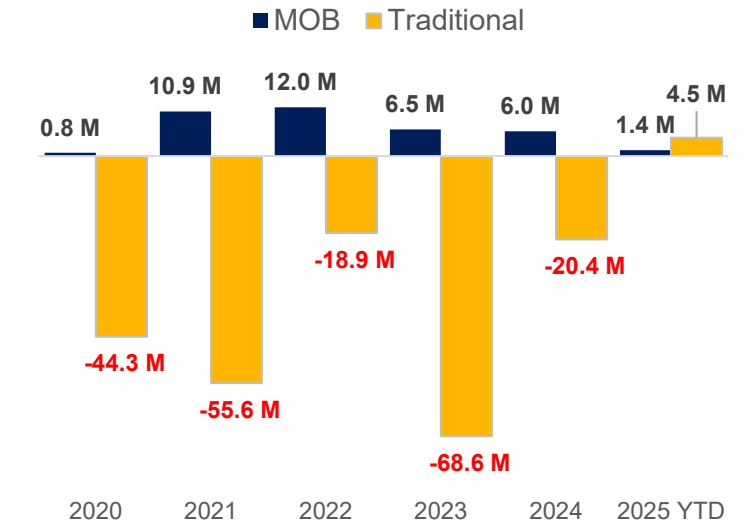
Annual Rent Growth %



Occupancy %



Net Absorption SF



Asking rents for MOB space has generally slowed in the past 12- to 18- months. The Omaha market has pushed asking rates the highest in the past year, due to limited supply. Perhaps more notable, is that asking rates for most markets have increased less than 2 percent over the last 12-months.

Miami and San Francisco/San Jose have the highest asking rates. It should be noted that new, Class A MOB's are still demanding a premium despite the overall market slowing. Landlords are willing to pay more in Tis to secure longer lease terms with good credit occupiers.

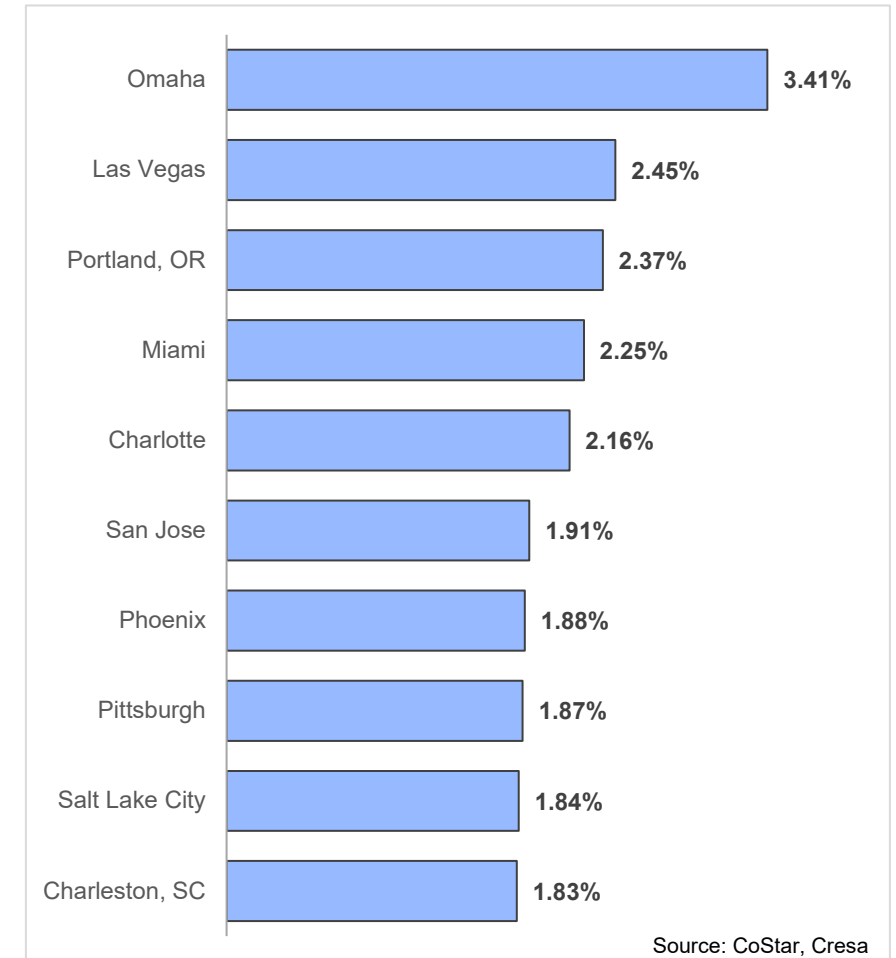
Real Estate Trends

Medical Office Buildings – Top 10 Markets: **Highest Asking Rent and Highest Rent Growth**

Highest Asking Rent – Q1 2025



Highest Rent Growth – 12-Month Change



Source: CoStar, Cresa

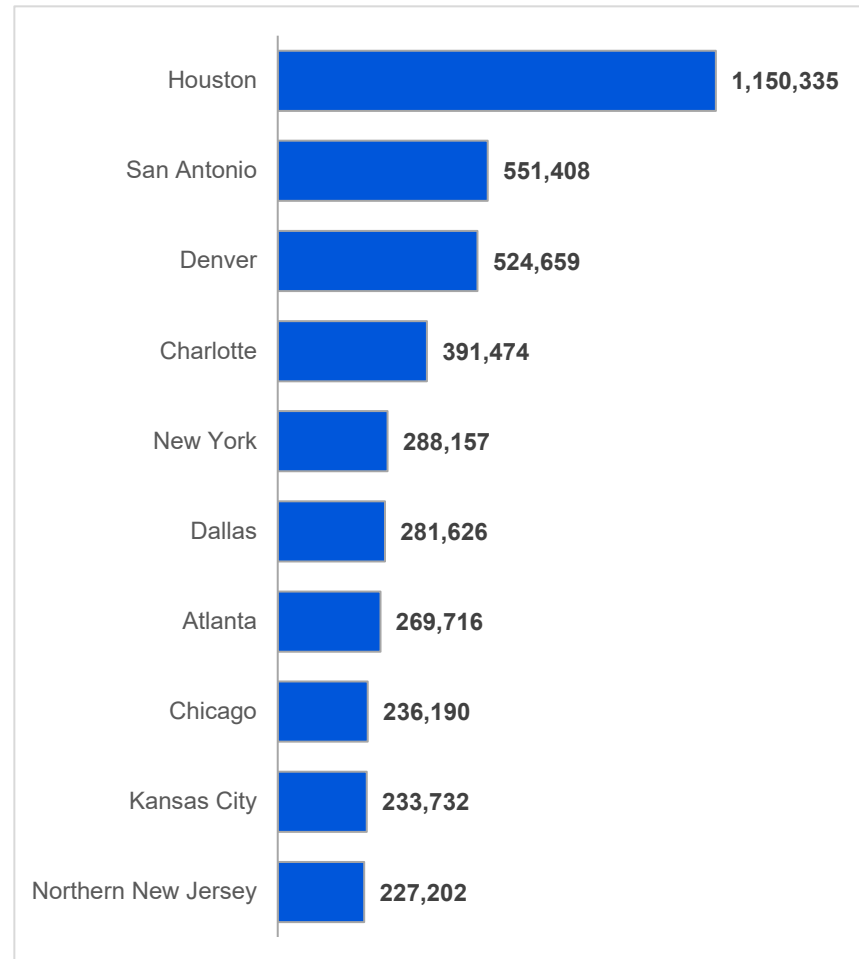
Houston continues to lead the nation in terms of net absorption over the past several years, which is directly connected to the high amount of new MOB deliveries. Other Texas markets, including San Antonio and Dallas are in the top 10 MOB markets in terms of net absorption. Other smaller markets like Denver, Charlotte, and Kansas City also made the list in terms of healthy net absorption.

Three of the top five markets with the highest occupancy are in the Southeast, lead by Charlotte with over 95 percent occupancy in MOBs.

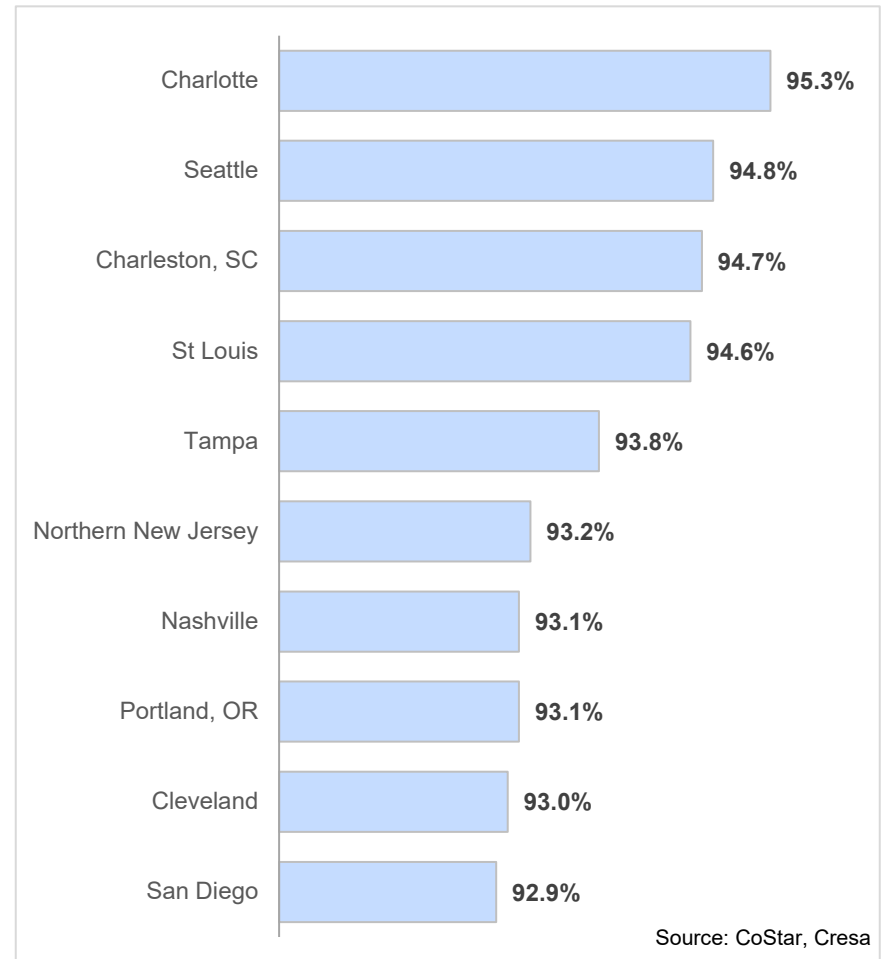
Real Estate Trends

Medical Office Buildings – Top 10 Markets: **Absorption and Highest Occupancy**

Highest Net Absorption – Past 12 Months



Highest Occupancy – Q1 2025



Source: CoStar, Cresa

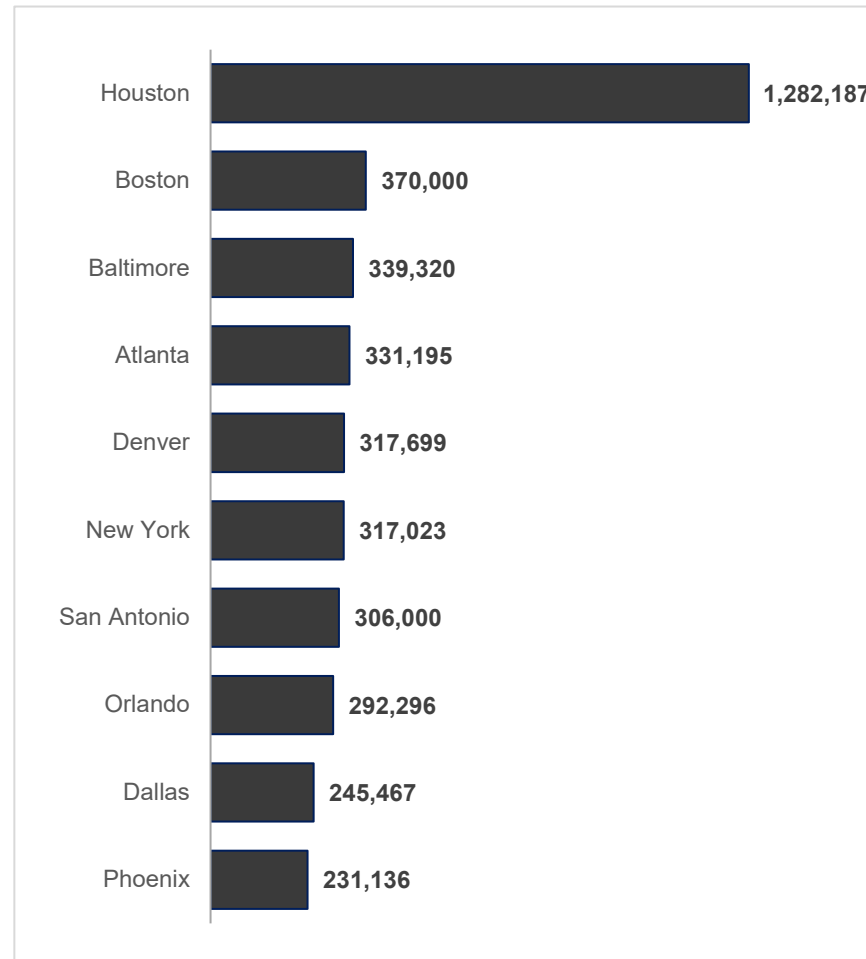
New deliveries have fallen in the past two quarters, but MOB construction pipelines are still active. Texas remains an active market, particularly Houston with the most deliveries in the past 12-months and the most square footage currently under construction.

Several tertiary markets with strong healthcare systems, such as Cleveland, Indianapolis, and Baltimore have high levels of MOB currently under construction.

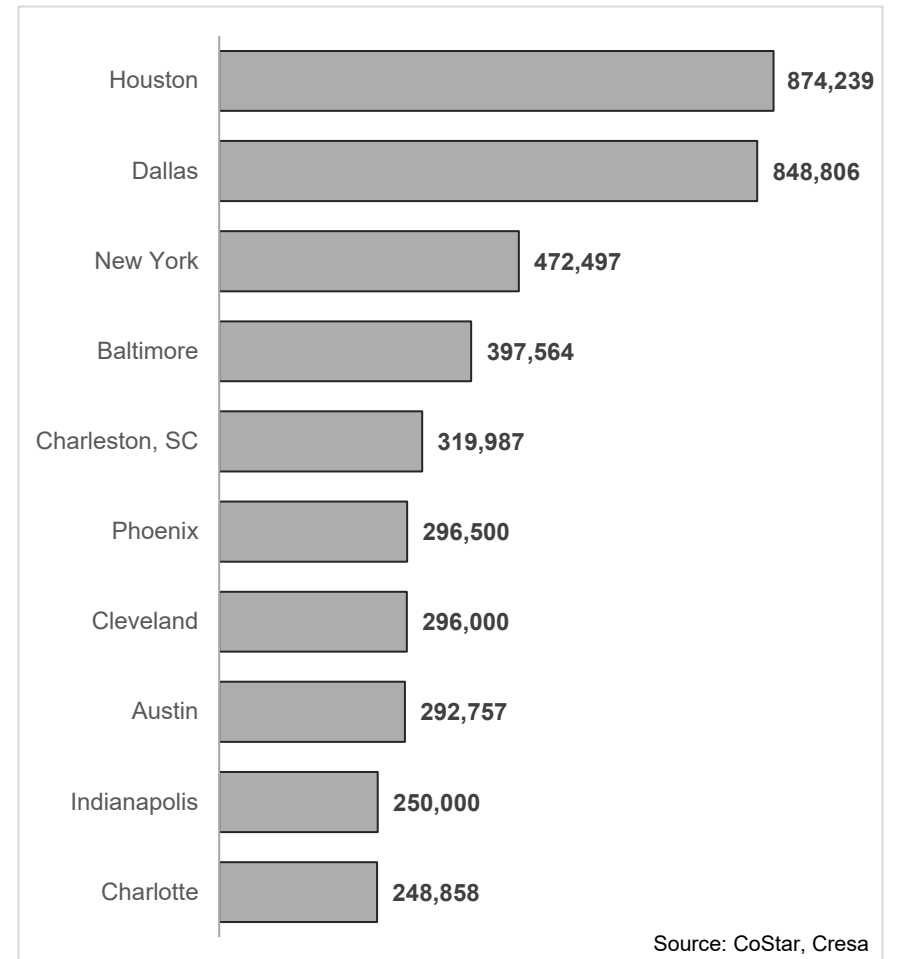
Real Estate Trends

Medical Office Buildings – Top 10 Markets: Construction Pipelines

Deliveries – Past 12 Months



Under Construction – Q1 2025



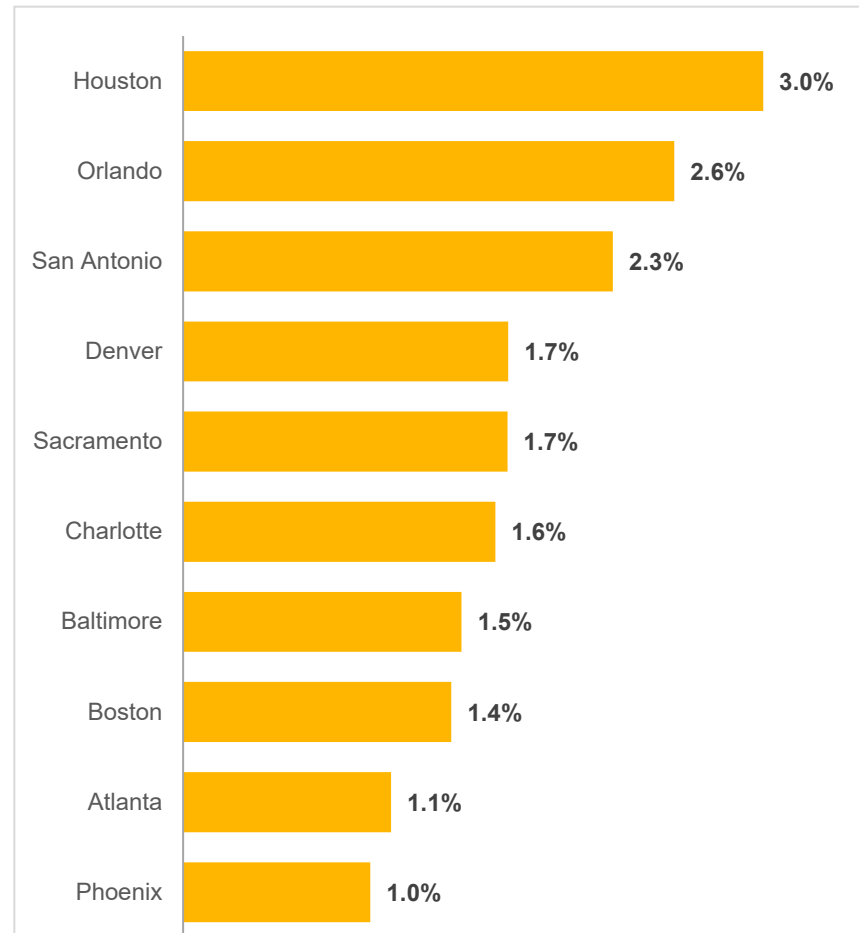
Source: CoStar, Cresa

Examining the levels of deliveries and under construction square footage as a percent of total inventory helps to better understand the scale of new development. While many of the same markets are on this list as the total square footage of new construction, Charleston, Sacramento, and Pittsburgh have all been actively expanding their MOB space in terms of their existing inventory.

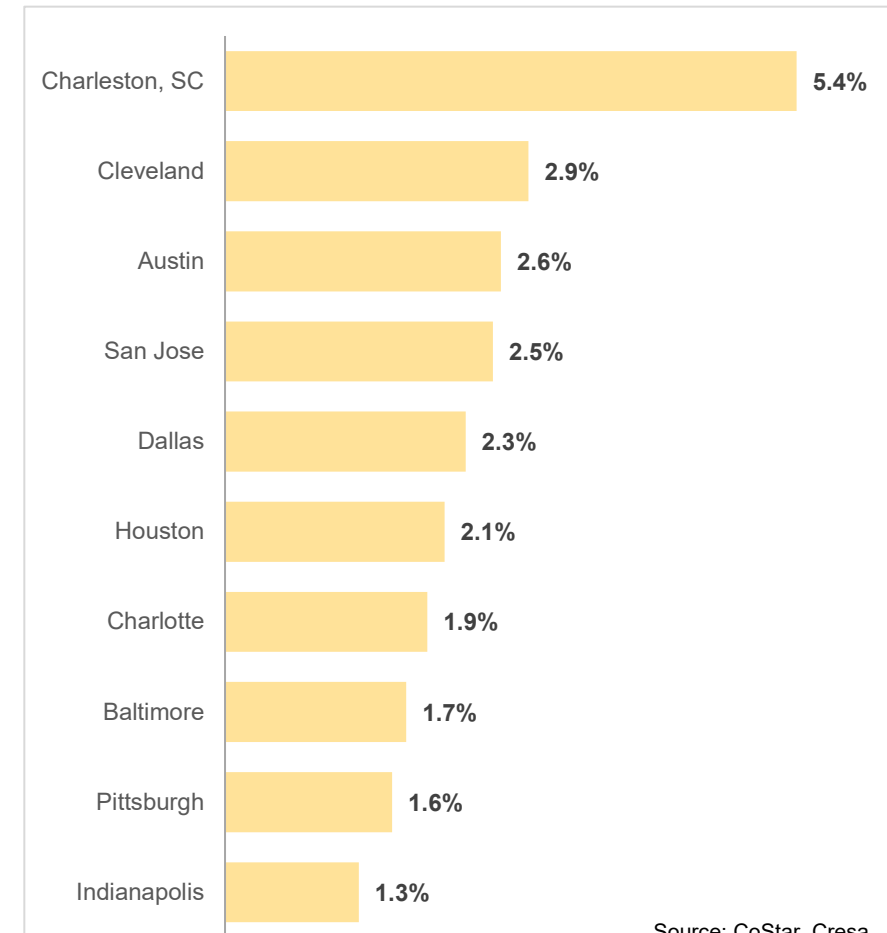
Real Estate Trends

Medical Office Buildings – Top 10 Markets: **Active Construction Markets**

Deliveries (12-Months) as Percentage of Total Inventory



Under Construction as Percentage of Inventory



Source: CoStar, Cresa

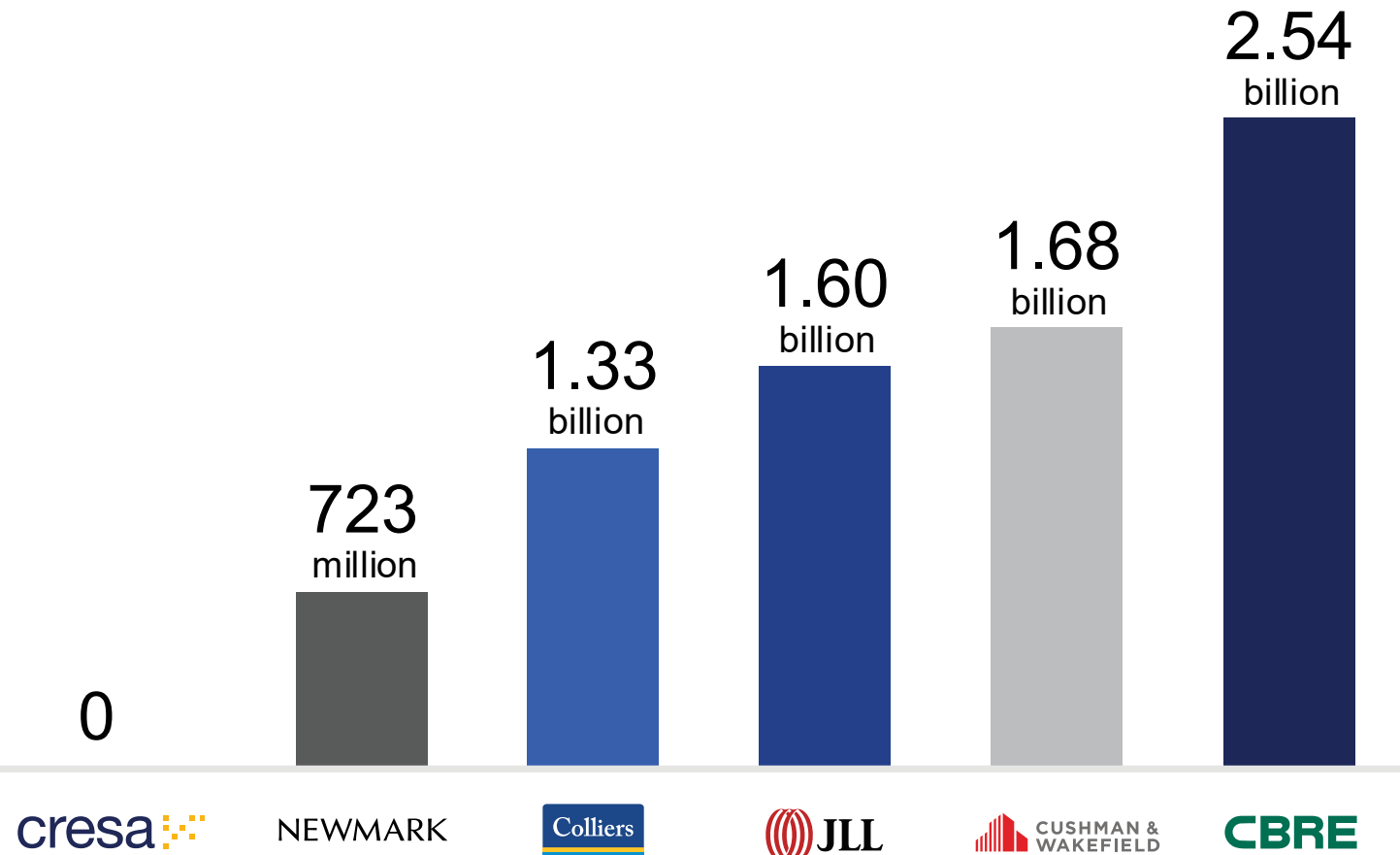
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We offer creative solutions, unbiased advisory services and executive leadership on every account.

We believe this combination of transparency and executive involvement generates the superior service our clients have come to expect from Cresa.

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Industries Served

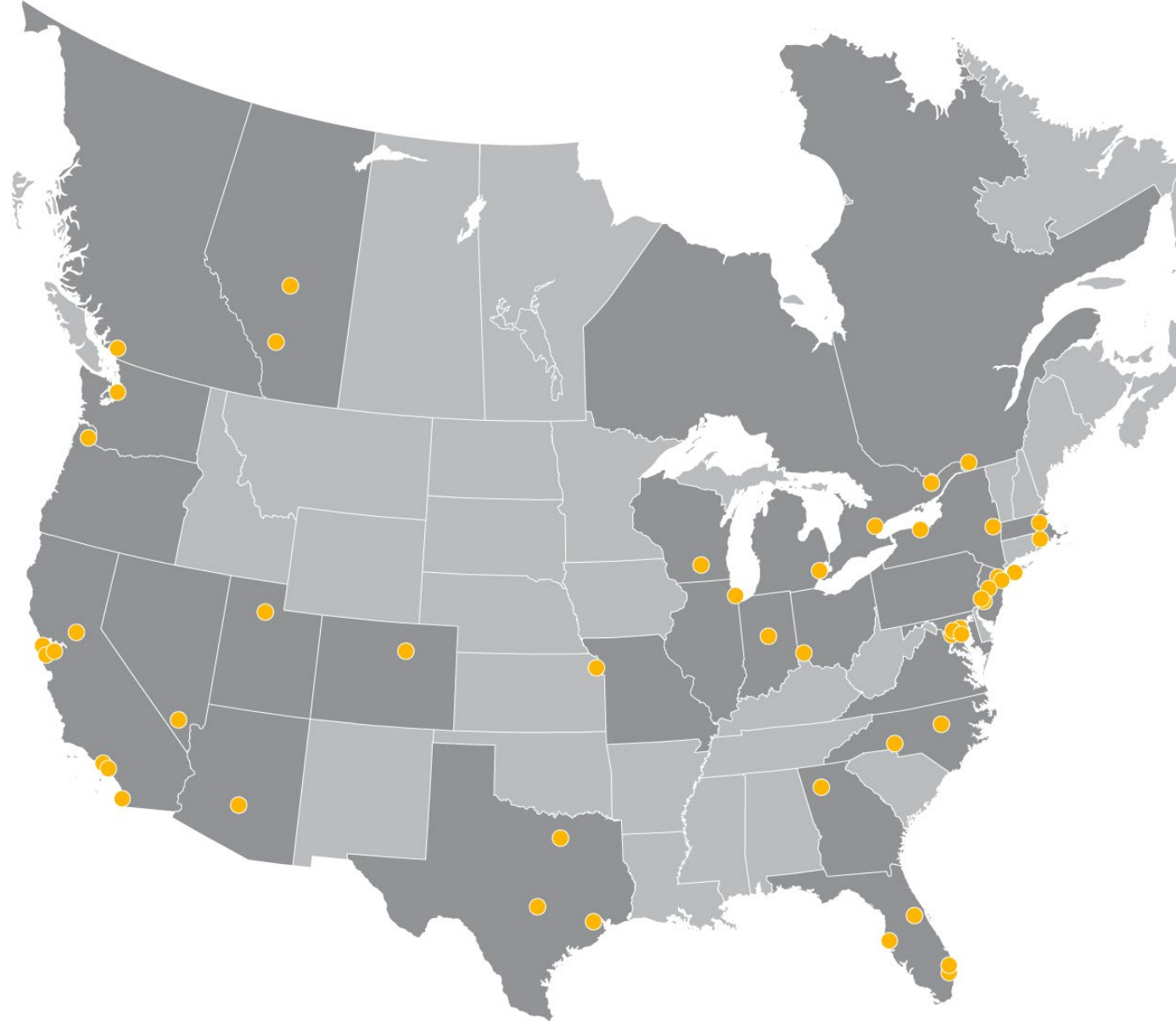
2.4K+
Global Clients

78.5M+
SF Transacted

700+
Cities

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Atlanta, GA
Austin, TX
Baltimore, MD
Bethesda, MD
Boca Raton, FL
Boston, MA
Calgary, AB
Charlotte, NC
Chicago, IL
Cincinnati, OH
Dallas, TX
Denver, CO
Detroit, MI
East Bay, CA
Edmonton, AB
Houston, TX
Indianapolis, IN
Kansas City, MO
Las Vegas, NV
Long Island, NY
Los Angeles, CA
Madison, WI
Miami, FL
Milwaukee, WI

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Montreal, QB
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