



cresa

# HEALTHCARE SECTOR

Fall 2025

# Healthcare Trends

AI Adoption, Workforce Strain, and the Shift to Decentralized, Value-Driven Care Reshape the Healthcare Industry



## Shift Toward Decentralized & Non-Acute Care Settings

Elevated costs, including staffing and inflation, are causing care to be increasingly delivered in non-acute settings (e.g, home, outpatient, and virtual).



## Labor

Staffing shortages, burnout, and turnover remain structural issues, while digital and automation tools are being used to relieve pressure.



## Digital Interoperability & Cyber Security

The expansion of healthcare tech is expanding, resulting in the need to secure systems, comply with regulations, share data safely, and manage privacy risks.



## Precision Medicine, Digital Health, & Consumer Tools

Personalized care (genomics, lifestyle/behavioral data), wearable devices, and digital therapeutics focusing on patient care are gaining ground.



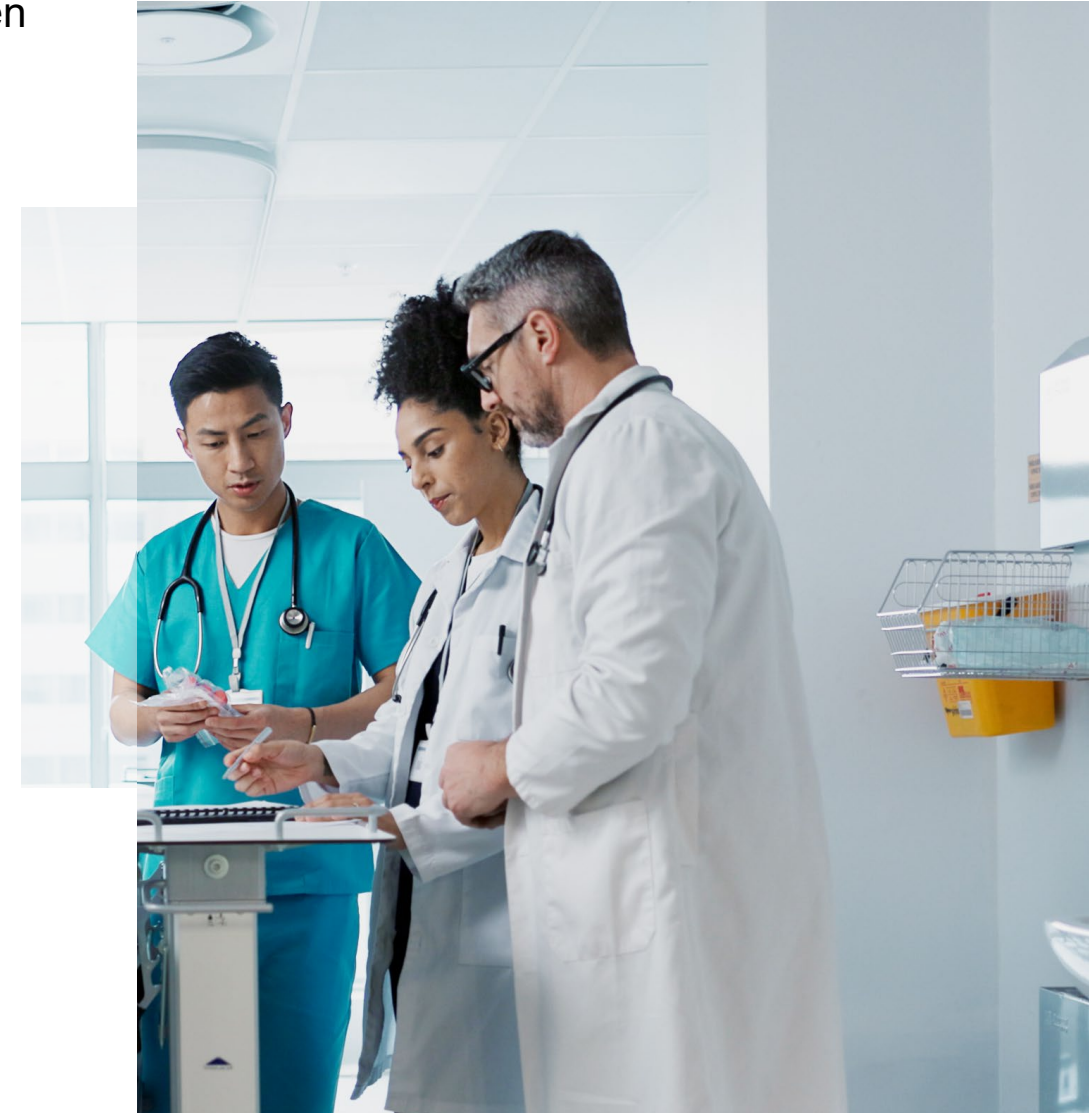
## One Big Beautiful Bill Act (OBBBA)

The OBBBA is shifting risks and placing additional burdens on states, providers, and individuals by cutting federal support, increasing eligibility hurdles for coverage, and reducing payments to safety-net and Medicaid systems.



## Healthcare M&A

Health systems, payers, and health-tech firms are pursuing mergers, joint ventures, and alliances to achieve scale, access new markets, and transformation.





The One Big Beautiful Bill Act (OBBBA) reshapes healthcare in several ways. Tightening eligibility, funding cuts, and added cost barriers may lead to an increase in uncompensated care, strained hospitals, and altered public health. While the Bill includes several provisions that critics warn will reduce care, it also embeds meaningful care-enhancing initiatives if implemented effectively and equitably. Nevertheless, the changes will impact both the healthcare sector and the decision-making surrounding commercial real estate decisions. Impacts include:

- Medicare Funding Cuts
- Rural Hospital Strain
- Medicaid Eligibility
- ACA Marketplace Premium Increases
- Regulatory Complexity

# One Big Beautiful Bill Act (OBBBA)

## Impact on the Healthcare Sector

### Commercial Real Estate

#### Bonus Depreciation (100%)

Immediate tax deductions; improves liquidity and cash-on-cash returns

#### Section 179 Expensing

Increased expensing limit and larger upfront deductions for property improvements

#### Qualified Business income (QBI) Deduction

Permanent lower effective tax (up to 20% of QBI) for pass-through CRE investors

#### Opportunity Zone (OZ) Benefits

Permanent extension of the OZ program within the tax code, extending the exclusion of tax on appreciation to 30 years

#### (Qualified Production Property) QPP Depreciation

Supports industrial/manufacturing CRE via upfront cost recovery of 100% bonus depreciation, a change from the typical 39-year depreciation period

#### REIT/Taxable REIT Subsidiaries (TRS) Adjustments & Interest Deductions

Enhances flexibility and tax treatment for leveraged CRE entities by raising the maximum percentage of a REIT's total assets that can be held in TRS securities to 25%. This is particularly beneficial for sectors requiring active management or tenant services, like healthcare.

#### (State & Local Tax) SALT Cap Relief

Supports investment in high-tax regions, including real estate investors due to the influence on the profitability of rental properties and investment decisions

#### Green Incentives Removal

Diminishes support for sustainability-driven upgrades and projects, and marks a shift in federal policy within the real commercial real estate sector and the financial feasibility of sustainable building projects

#### 1031 & Carried Interest

Preserves and maintains momentum for tax-efficient dealmaking and structuring, allowing investors to defer capital gains when selling an investment property and reinvesting the proceeds into another similar property

## Healthcare Real Estate

### Medical Office Buildings

- Medical Office Buildings (MOBs) have enjoyed robust occupancy and have significantly outperformed the overall office market
- Demand will continue to favor outpatient, community-based care to elevate cost efficiency and accessibility.

### Hospitals

- Financial pressure from Medicaid cuts will negatively impact revenue, requiring a bigger focus on reducing overhead costs, like real estate.
- Rural locations will feel the biggest burden from cuts, with Medicaid estimated to comprise over 50 percent of historic revenue.
- The result will be an overall decline in demand for new hospital space, increased vacancy, and weakening asset valuations.

### Outpatient & Ambulatory Surgery Centers (ASCs)

- An acceleration of growth in ASCs, favoring neighborhood clinics that offer more cost-effective care.
- Despite the growth of outpatient facilities, the loss of patient volume due to Medicaid cuts may temper growth.

### Long-Term Care

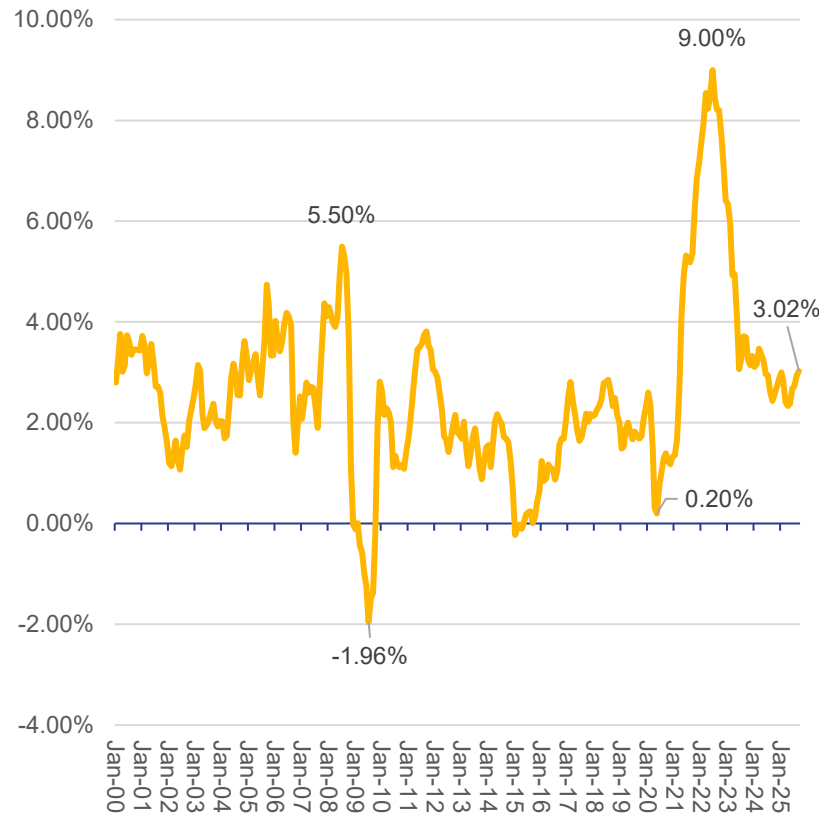
- Funding threats may trigger closures of nursing homes and place additional pressure on hospitals and emergency services.
- Cuts to Home and Community-Based Services (HCBS) – which supports millions for aging in place – will reduce demand for institutional care and complicate asset planning.

The annual increase of the Consumer Price Index jumped to 3.02 percent in September. After several increases in interest rates to help curb inflation, the Fed cut rates by 50 basis points in September 2024 and maintained that rate until October 2025, when rates were cut by another 25 basis points. Inflation remains high, and some economists fear that additional tariff increases, and a continued government shutdown may negatively affect inflation in the future.

# Economy: Inflation (CPI)

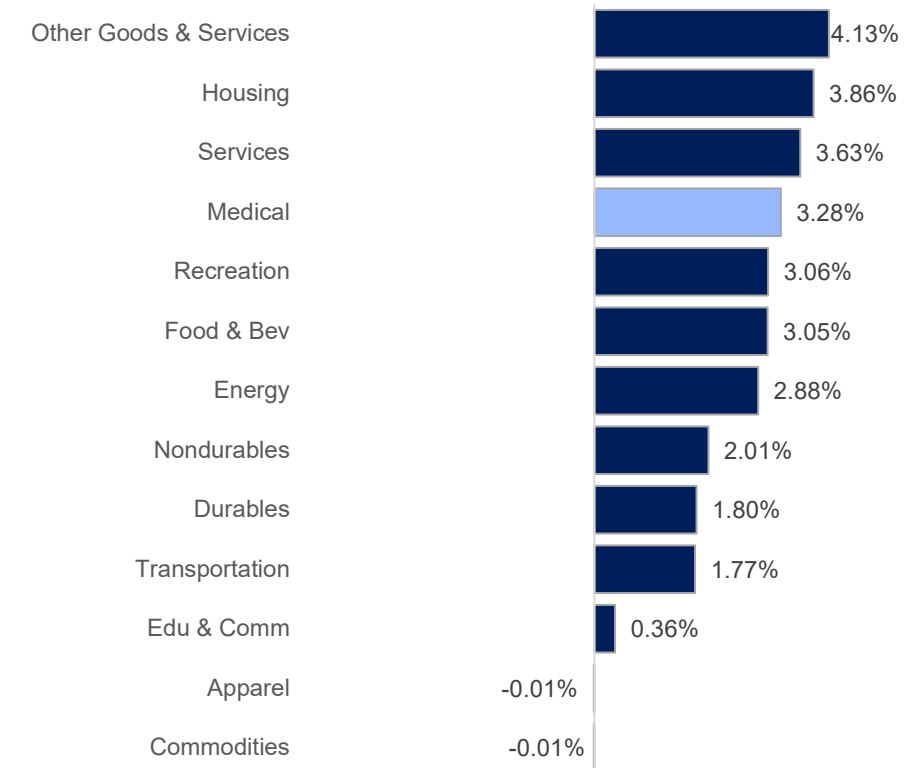
Inflation Falls Closer to Pre-Pandemic Levels, as Medical Sector Ticks Higher

Consumer Price Index for All Items (12-Month Change)



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

Consumer Price Index by Sector (12-Month Change)



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

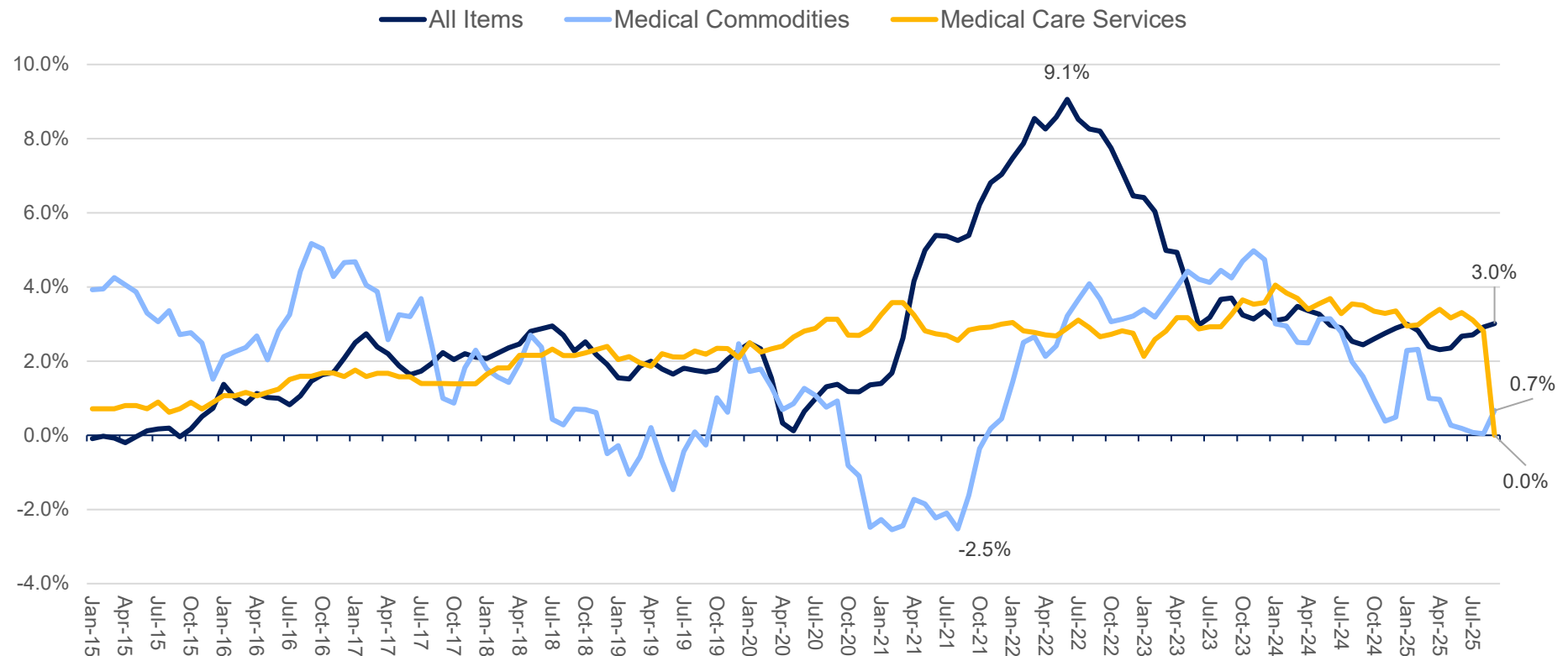
Both medical care commodities and services have seen inflation remain generally below the overall inflation rate. Medical services experienced a significant drop in August 2025. Medical care commodities, which include medicine and medical equipment, have been muted in terms of inflation. However, the 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 September 2025 (Not Seasonally Adjusted)

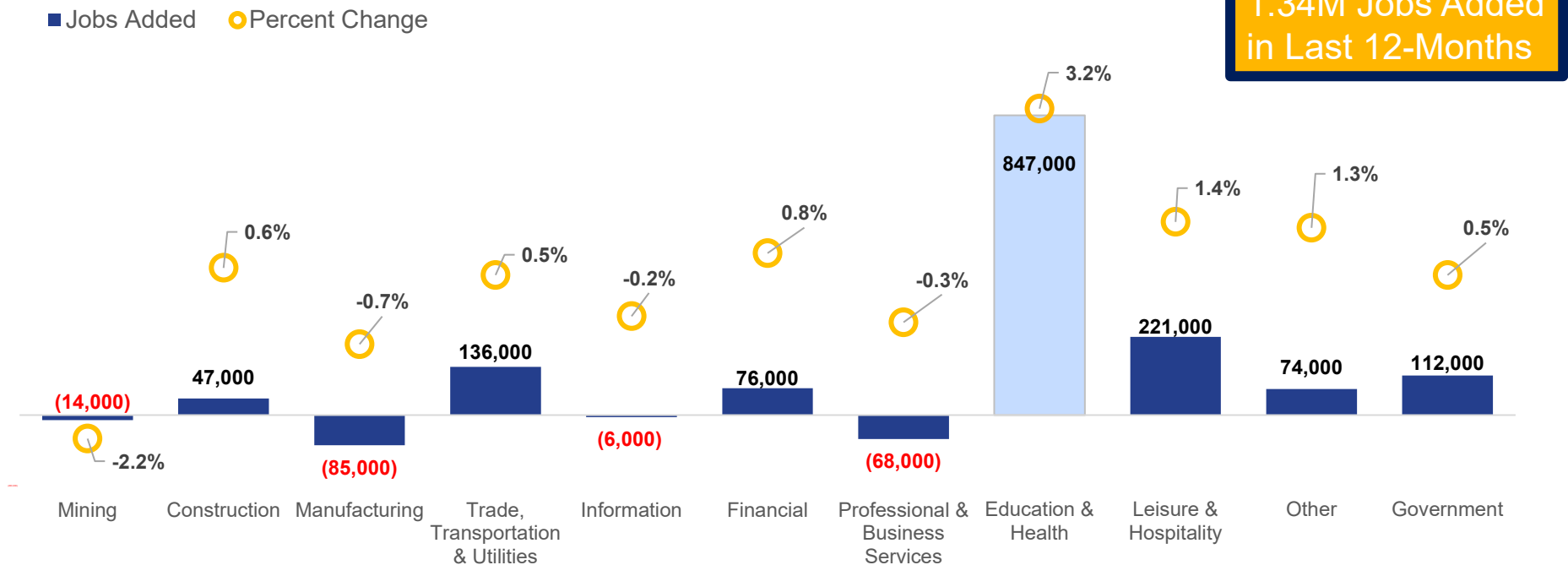


Despite overall weak employment numbers, healthcare and social assistance posted gains of approximately 59,300 jobs in August, making it the only sector to add jobs in the most recent month data was released. The manufacturing and professional & business services sectors are under significant pressure and shed 85,000 and 68,000 jobs, respectively over the past year. With the ongoing government shutdown, job data is expected to be delayed for the immediate future, clouding the overall health of the economy.

# Labor

## Education/Healthcare Add Nearly 825,000 Jobs in the Past Year

### Job Creation by Sector (12-Month Change)



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

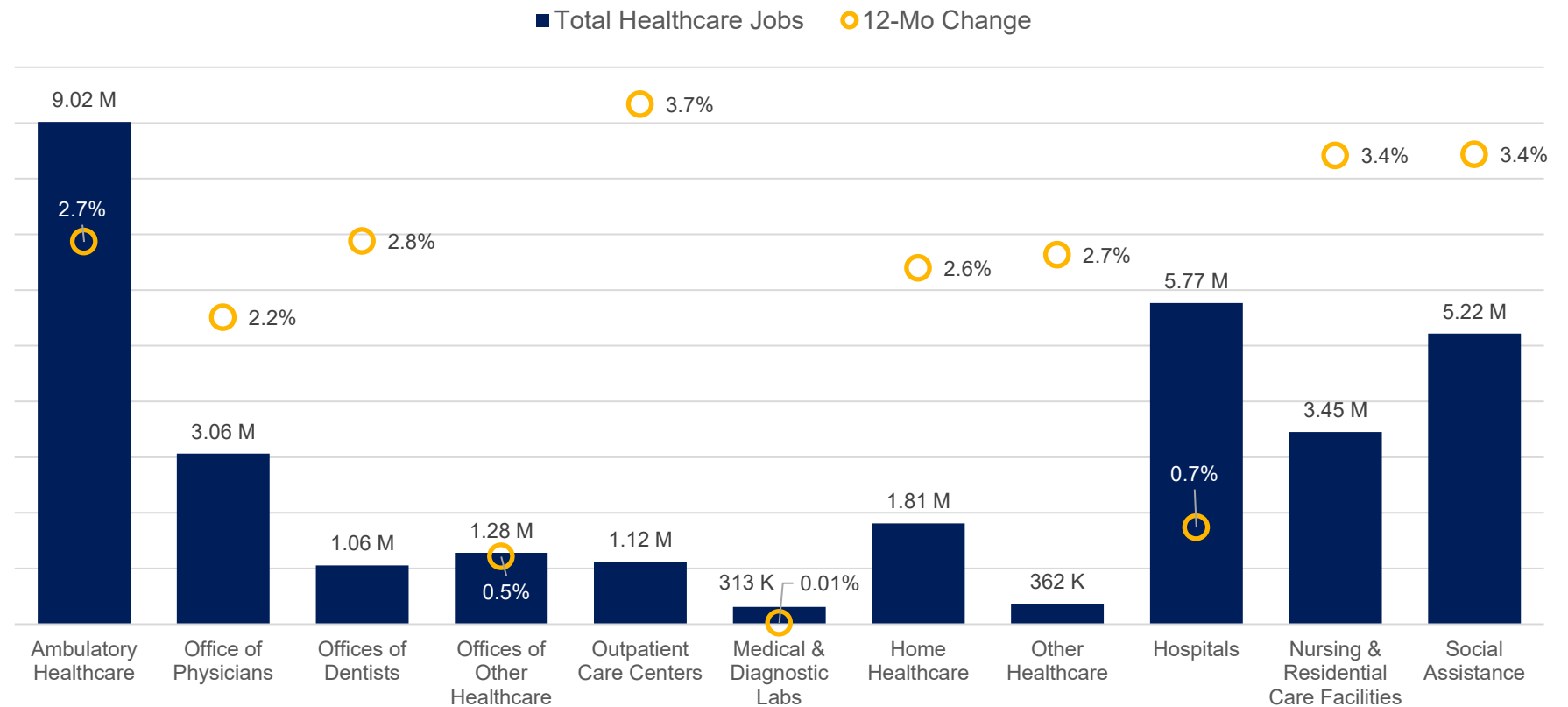
The outpatient care centers, nursing & residential care facilities, and social assistance sectors have grown by the highest percentage in the past year. There has been a rising demand for home care as the aging baby boomer generation needs specialized care. Both offices of dentists and ambulatory healthcare have also added significant numbers of new jobs over the past 12 months.

All sectors within healthcare added jobs over the past year, distinguishing it as an exception in a broader job market that has struggled to show positive growth.

# 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 August 2025

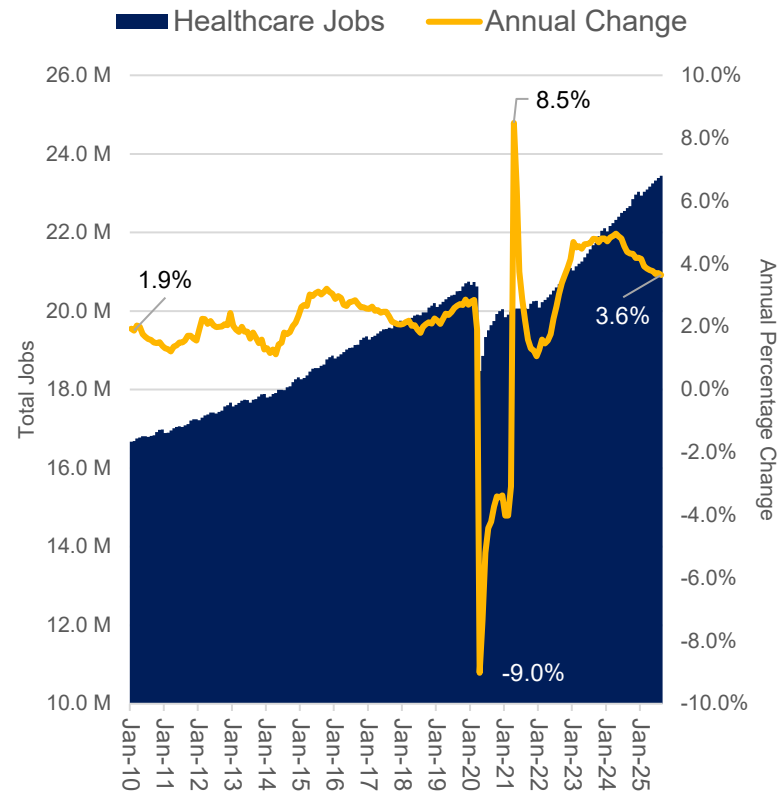
The healthcare and social assistance sector have consistently outperformed annual growth percentages compared to the pre-pandemic era. While job growth is slowing, it remains elevated, reaching an all-time high employment level in August. Proposed cuts to Medicaid may slow or alter anticipated future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

The number of job openings as a percentage of total jobs has also outpaced the overall job market, highlighting the difficulty in hiring and retaining healthcare workers.

# Labor

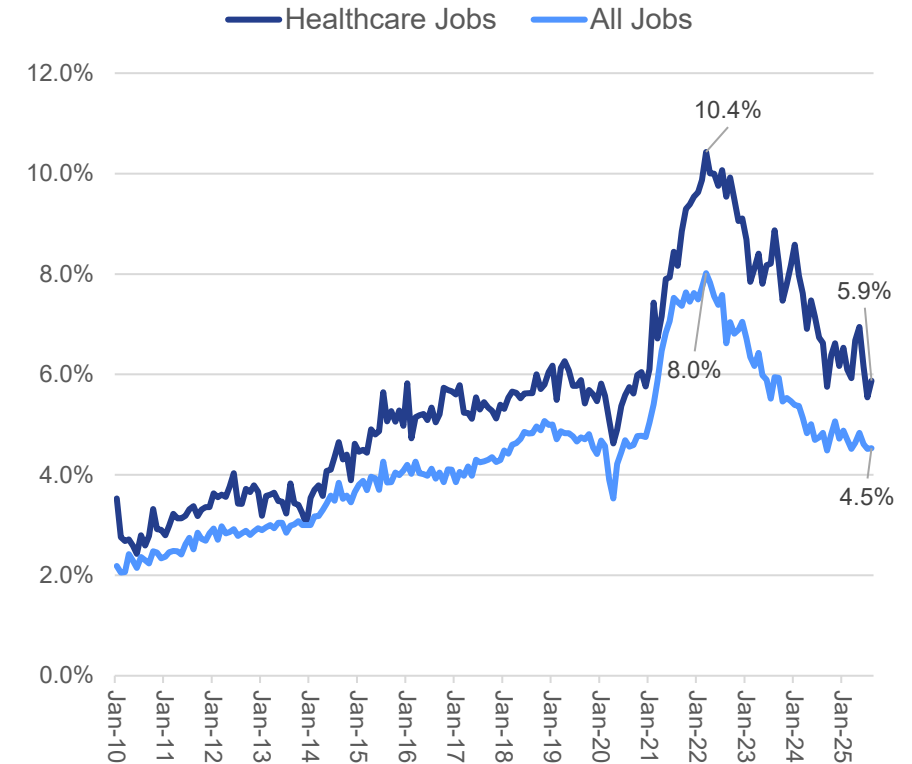
## Healthcare Job Creation Continues to Outperform Other Sectors

Healthcare & Social Assistance (Total Employment)



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

Healthcare & Social Assistance vs. All Non-Fram Jobs  
Job Openings as a Percentage of Total Employment



Source: U.S. Bureau of Labor Statistics, <https://bls.gov> thru August 2025 (JTS6200JOL)



# Healthcare Real Estate Trends



Strong Demand, Rising Costs, and the Outpatient Shift **Redefine the Market Landscape**

The medical office building (MOB) sector is currently experiencing strong performance amid a changing healthcare delivery landscape. Occupancy levels in major U.S. markets are high, exceeding 90 percent, while new construction has been limited due to high costs and tight financing conditions. The demand for tenants is driven by fundamental, non-cyclical factors, such as an aging population, the ongoing shift toward outpatient care, and long-term leases secured by health systems and larger providers. These factors contribute to resilience in the face of economic challenges. On the investment side, although transaction volumes have decreased from the peak levels of 2022, interest from investors remains strong because of the stability of income streams. MOBs are recognized in commercial real estate as a growth-oriented, lower-risk segment, though their success relies on asset quality, location, and the creditworthiness of tenants.

## Tenant View

- Healthcare providers are continuing to migrate services away from traditional inpatient hospital settings and toward outpatient clinics, specialty suites, and MOBs located off or near hospital campuses.
- Healthcare tenants typically need specialized build-outs and tend to sign longer-term leases, which come with higher switching costs that give landlords an advantage. However, these tenants are also under pressure to adapt due to workforce shortages, technological advancements, and changes in care delivery models. As a result, they seek flexibility and locations that support value-based care and facilitate multi-specialty collaboration.

# Real Estate Trends

## Medical Office Buildings – Top 10 Largest Metros: Fast Facts

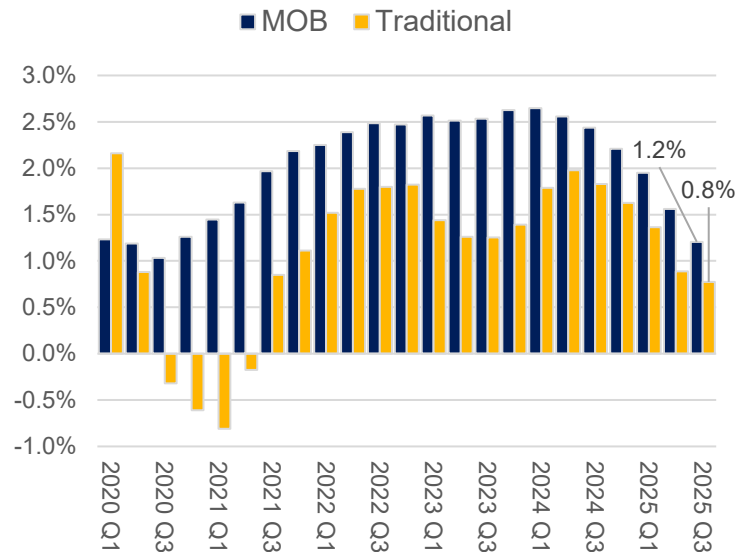
The US medical office building (MOB) market has experienced a slowdown alongside the broader economy; however, it has avoided the steep decline seen in the traditional office market. The amount of square footage currently under construction has decreased due to rising construction costs and higher financing expenses, with a greater emphasis on build-to-suit opportunities. While base rent growth has slowed, operating costs—such as utilities and taxes—have sharply increased, leading to higher overall occupancy costs. Despite these challenges, MOB occupancy has remained steady and continues to be a positive aspect within the office asset class.

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	1,520,159,590	\$29.34	0.65%	91.5%	5,424,080	7,996,000	10,471,523
New York	53,020,264	\$39.09	0.62%	88.8%	(513,055)	151,578	755,497
Los Angeles	42,450,552	\$44.95	0.20%	90.7%	(17,362)	46,873	120,627
Chicago	42,959,060	\$24.18	-0.62%	88.4%	355,861	373,105	179,732
Houston	43,076,022	\$30.31	0.83%	83.6%	1,090,763	1,255,013	610,664
Dallas	36,386,833	\$33.83	2.11%	87.4%	156,724	405,789	683,791
Washington, DC	41,412,517	\$32.37	2.53%	87.4%	(219,363)	0	200,000
Philadelphia	32,654,530	\$28.05	0.36%	90.5%	52,787	60,000	192,770
Atlanta	31,881,686	\$28.99	1.19%	90.7%	57,534	226,752	226,518
Phoenix	24,239,224	\$33.40	1.98%	85.5%	369,450	434,536	251,250
Miami	15,296,730	\$46.15	1.61%	93.9%	(65,239)	63,193	102,400

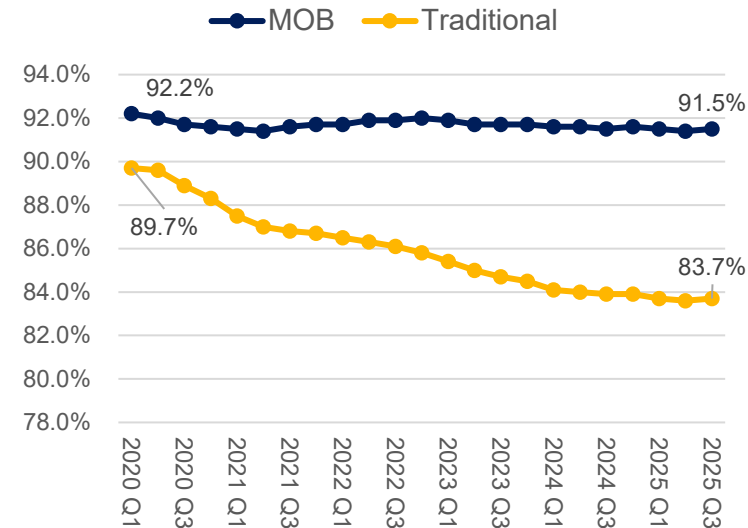
# Real Estate Trends

Market	Rent Growth (12 mo.)	Direct Vacancy Rate	Occupancy Rate	Net Absorption SF (12 mo.)	Deliveries SF (12 mo.)	Under Construction SF	Average Cap Rate
Medical Office Buildings (MOB)	1.2% ↓	8.1% ↔	91.5% ↔	5,424,080 ↑	8,605,752 ↔	10,404,711 ↓	7.0% ↔
Traditional	0.8% ↓	14.9% ↔	83.7% ↔	3,801,248 ↑	47,418,502 ↓	62,424,342 ↓	7.8% ↑

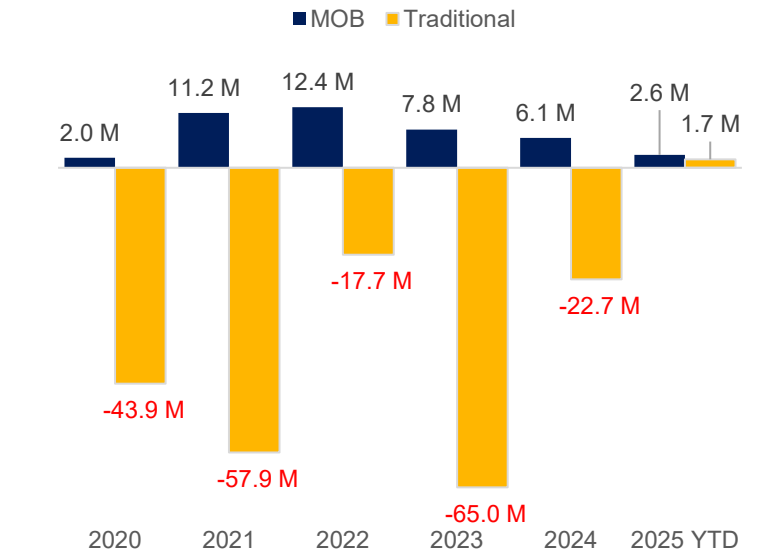
### Annual Rent Growth %



### Occupancy %



### Net Absorption SF





Asking rents for MOB space has generally slowed in the past 18 to 24 months. The Tampa 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.

San Francisco/San Jose have the highest asking rates, followed closely by Miami. It should be noted that new, Class A MOBAs 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.

Source: CoStar, Cresa thru Q3 2025; Base rent does not include operating expenses

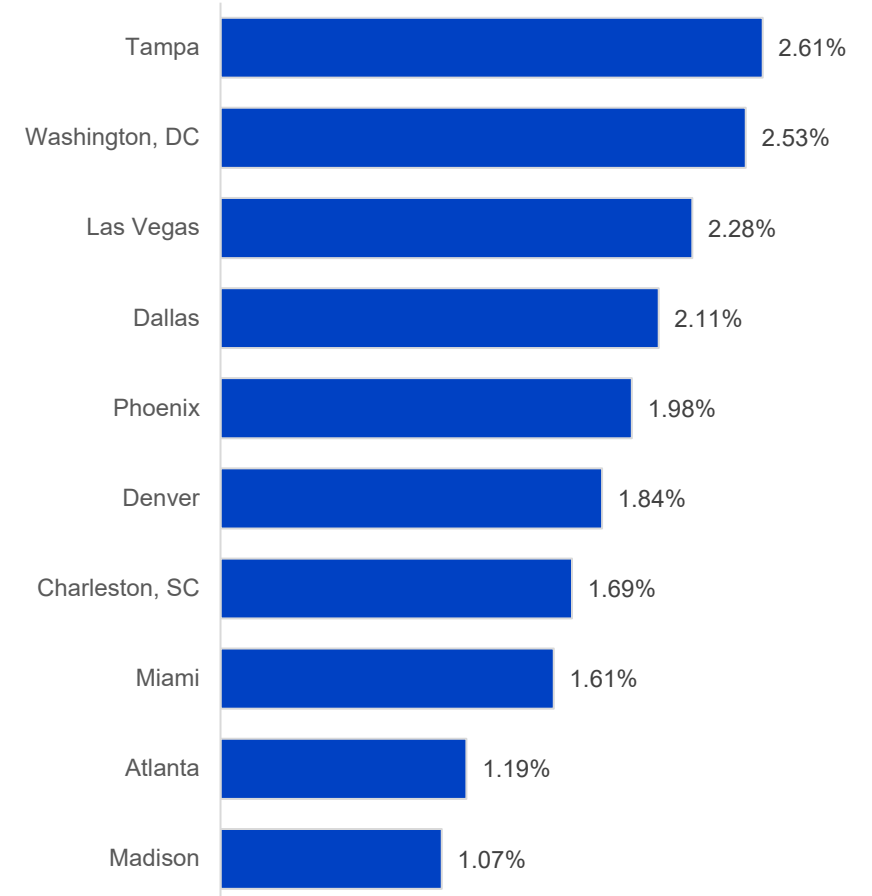
# Real Estate Trends

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

Highest Asking Rent – Q3 2025



Highest Rent Growth – 12-Month Change



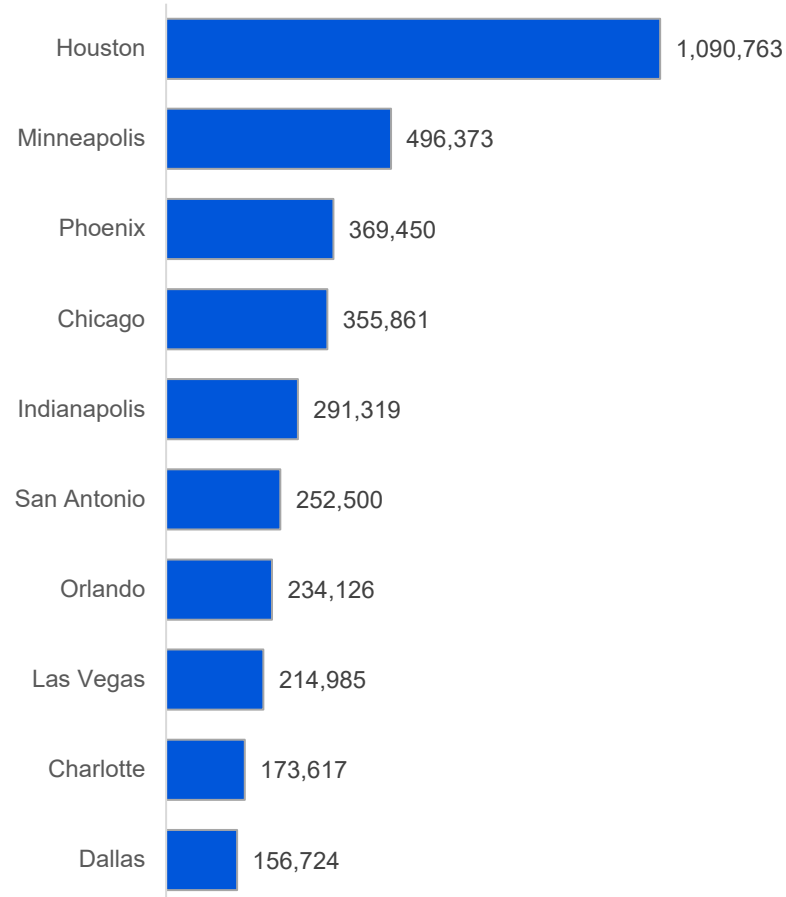
Houston continues to lead the nation in terms of net absorption over the past several years, which is directly connected to the high amount of new MOB deliveries. Other Texas markets, including San Antonio and Dallas, are in the top 10 MOB markets in terms of net absorption. Other smaller markets like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

The Seattle market has reported the highest occupancy at over 95 percent, with smaller markets like Omaha, Charleston, South Carolina, and St. Louis following close behind.

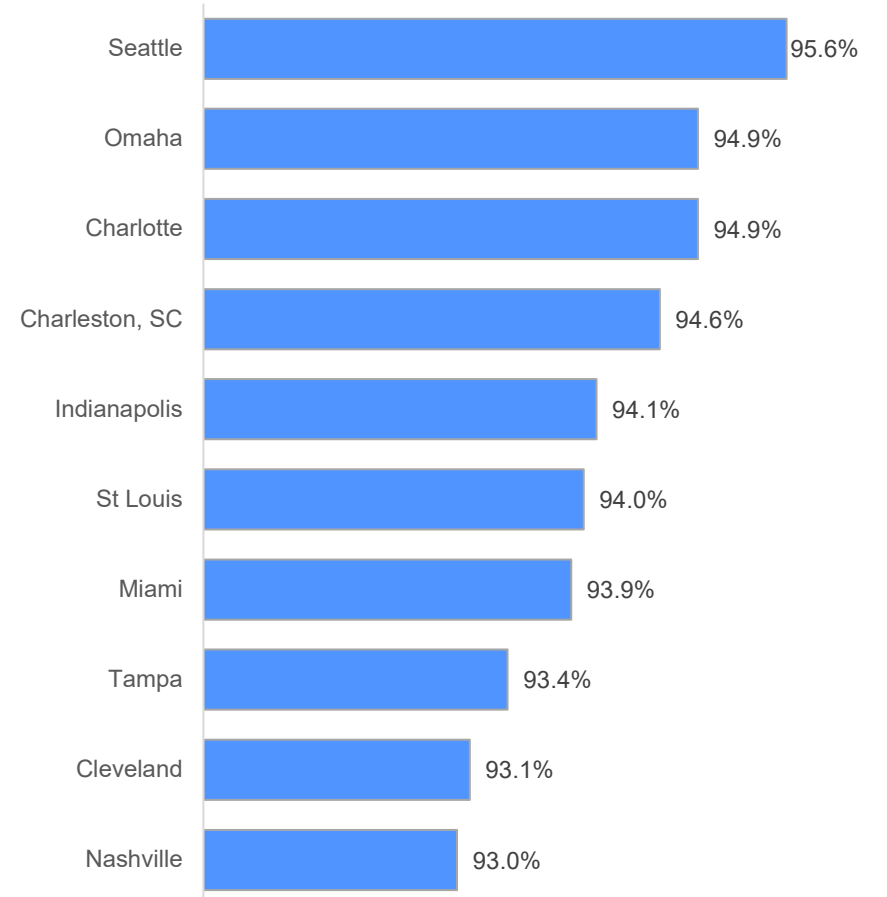
# Real Estate Trends

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

### Highest Net Absorption – Past 12 Months



### Highest Occupancy – Q3 2025



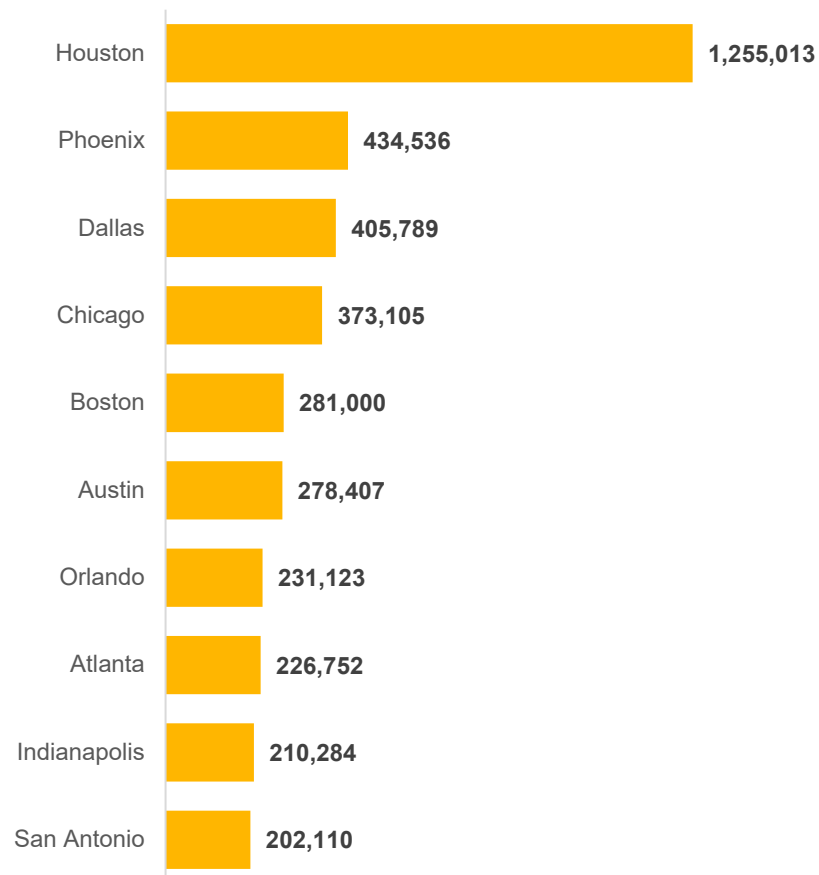
New deliveries have declined over the past two quarters; however, the MOB construction pipelines remain active. Texas continues to be a vibrant market, as five of the top ten markets reporting the highest square footage of deliveries in the past twelve months.

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

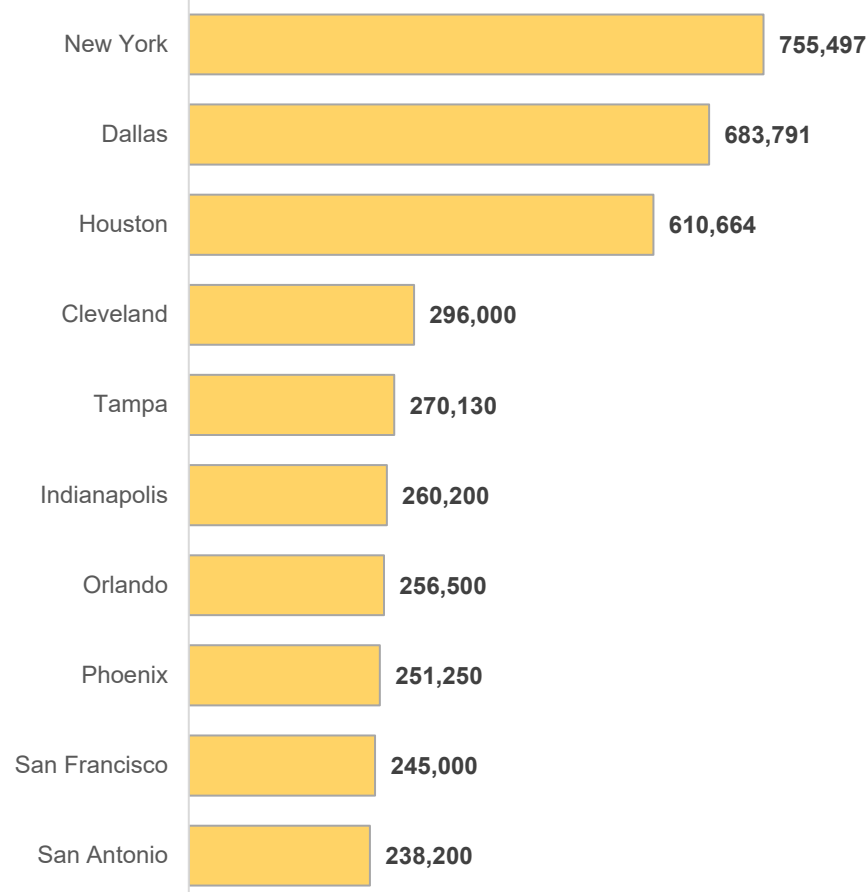
# Real Estate Trends

## Medical Office Buildings – Top 10 Markets: **Construction Pipelines**

### Deliveries – Past 12 Months



### Under Construction – Q3 2025





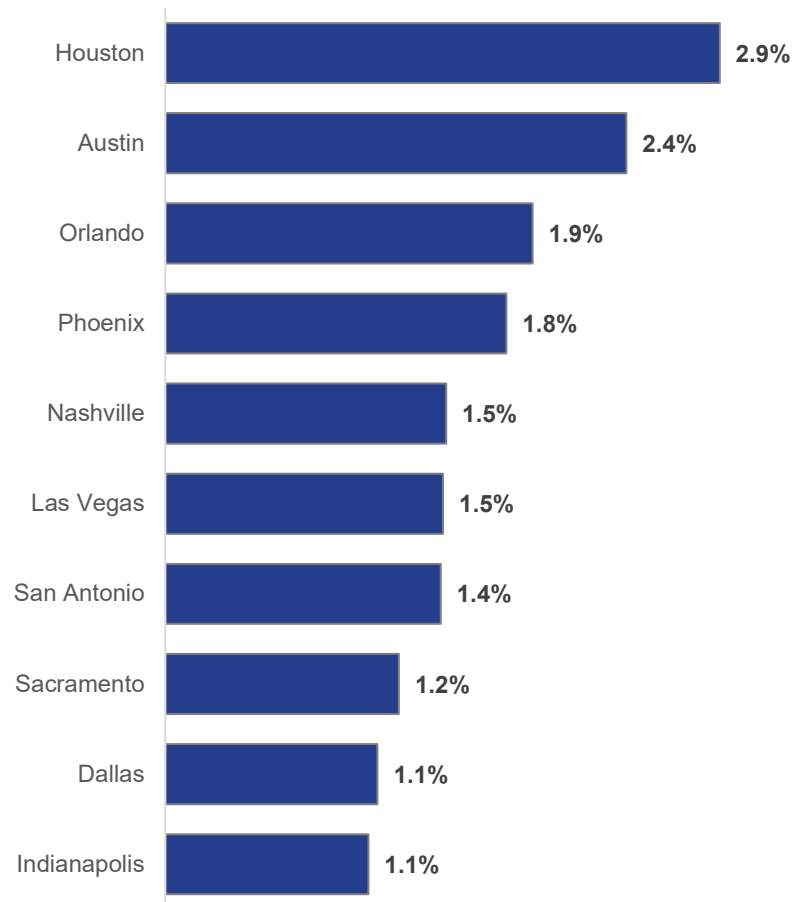
Analyzing the levels of deliveries and the square footage under construction as a percentage of total inventory provides valuable insights into the magnitude of new development.

Sacramento and Pittsburgh are actively expanding their inventory of MOBs. Additionally, the influx of people relocating to Florida is driving increased construction activity in cities such as Tampa and Orlando.

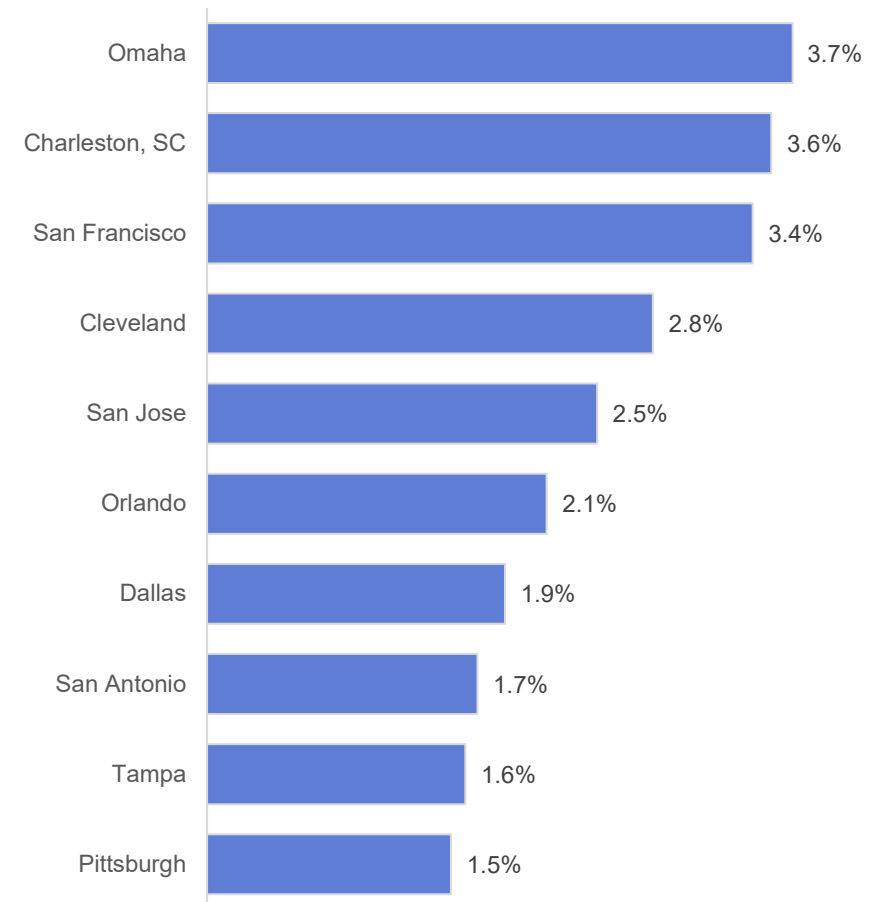
# Real Estate Trends

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

**Deliveries (12-Months) as Percentage of Total Inventory**



**Under Construction as Percentage of Inventory**



The following is a snapshot of MOBs in several markets across the United States.

# Medical Office Building Fast Facts

	Inventory SF	Asking Rent (\$/SF)	Rent Growth (12 mo.)	Occupancy Rate	Net Absorption SF (12 mo.)	Deliveries SF (12 mo.)	Under Construction SF
US	1,520,159,590	\$29.34	0.65%	91.5%	5,424,080	7,996,000	10,471,523
Atlanta	31,881,686	\$28.99	1.19%	90.7%	57,534	226,752	226,518
Austin	11,493,397	\$38.68	0.70%	89.4%	46,495	278,407	0
Baltimore	22,712,882	\$26.98	-0.85%	89.0%	(221,573)	137,985	149,811
Boston	27,768,545	\$30.77	-0.39%	91.5%	107,570	281,000	0
Charleston, SC	6,535,437	\$35.40	1.69%	94.6%	23,762	14,987	232,675
Charlotte	13,468,170	\$34.83	-0.03%	94.9%	173,617	88,007	151,458
Chicago	42,959,060	\$24.18	-0.62%	88.4%	355,861	373,105	179,732
Cincinnati	11,432,044	\$21.08	0.72%	92.1%	39,683	0	78,450
Cleveland	10,523,014	\$21.41	0.00%	93.1%	10,654	0	296,000
Columbus	13,504,757	\$24.39	0.74%	91.2%	(350,808)	0	0
Dallas	36,386,833	\$33.83	2.11%	87.4%	156,724	405,789	683,791
Denver	19,005,922	\$30.44	1.84%	90.3%	32,081	0	120,000
Detroit	24,914,366	\$22.40	0.86%	87.6%	44,261	0	203,369
Houston	43,076,022	\$30.31	0.83%	83.6%	1,090,763	1,255,013	610,664
Indianapolis	19,695,169	\$24.60	-0.65%	94.1%	291,319	210,284	260,200
Kansas City	15,312,124	\$28.61	0.67%	92.1%	139,653	14,000	0
Las Vegas	13,013,741	\$28.77	2.28%	88.9%	214,985	189,986	96,433
Los Angeles	42,450,552	\$44.95	0.20%	90.7%	(17,362)	46,873	120,627
Madison	3,658,031	\$22.72	1.07%	91.9%	5,806	15,000	12,000
Miami	15,296,730	\$46.15	1.61%	93.9%	(65,239)	63,193	102,400
Minneapolis	24,614,930	\$28.72	0.67%	92.9%	496,373	106,149	0
Nashville	13,280,748	\$31.97	0.16%	93.0%	101,100	196,000	41,217
Northern New Jersey	12,080,209	\$31.02	-1.34%	92.0%	367,856	0	0
New York City	53,020,264	\$39.09	0.62%	88.8%	(513,055)	151,578	755,497
Omaha	4,097,484	\$27.22	1.00%	94.9%	(3,444)	14,975	151,445
Orlando	11,974,272	\$35.85	0.22%	92.9%	234,126	231,123	256,500
Philadelphia	32,654,530	\$28.05	0.36%	90.5%	52,787	60,000	192,770
Phoenix	24,239,224	\$33.40	1.98%	85.5%	369,450	434,536	251,250
Pittsburgh	14,937,934	\$23.19	-0.13%	92.1%	67,674	0	230,000
Portland, OR	8,605,996	\$32.64	0.18%	92.4%	(197,000)	0	0
Salt Lake City	8,427,169	\$26.78	0.07%	91.1%	(147,900)	67,276	21,570
San Antonio	13,964,016	\$30.50	0.23%	85.7%	252,500	202,110	238,200
San Diego	15,288,719	\$39.96	1.01%	92.4%	4,176	60,000	77,775
San Francisco	7,117,998	\$52.06	0.37%	89.2%	75,077	0	245,000
San Jose	9,410,180	\$47.20	0.70%	90.0%	40,775	0	231,579
Sacramento	8,143,127	\$30.30	0.43%	91.5%	125,899	100,000	0
Seattle	19,313,309	\$40.77	-0.15%	95.6%	47,392	0	16,000
St Louis	13,034,418	\$26.16	0.38%	94.0%	(39,925)	66,000	28,000
Tampa	16,575,279	\$30.22	2.61%	93.4%	(113,222)	116,950	270,130
Washington, DC	41,412,517	\$32.37	2.53%	87.4%	(219,363)	0	200,000

Source: CoStar, Cresa thru Q3 2025; Base rent does not include operating expenses

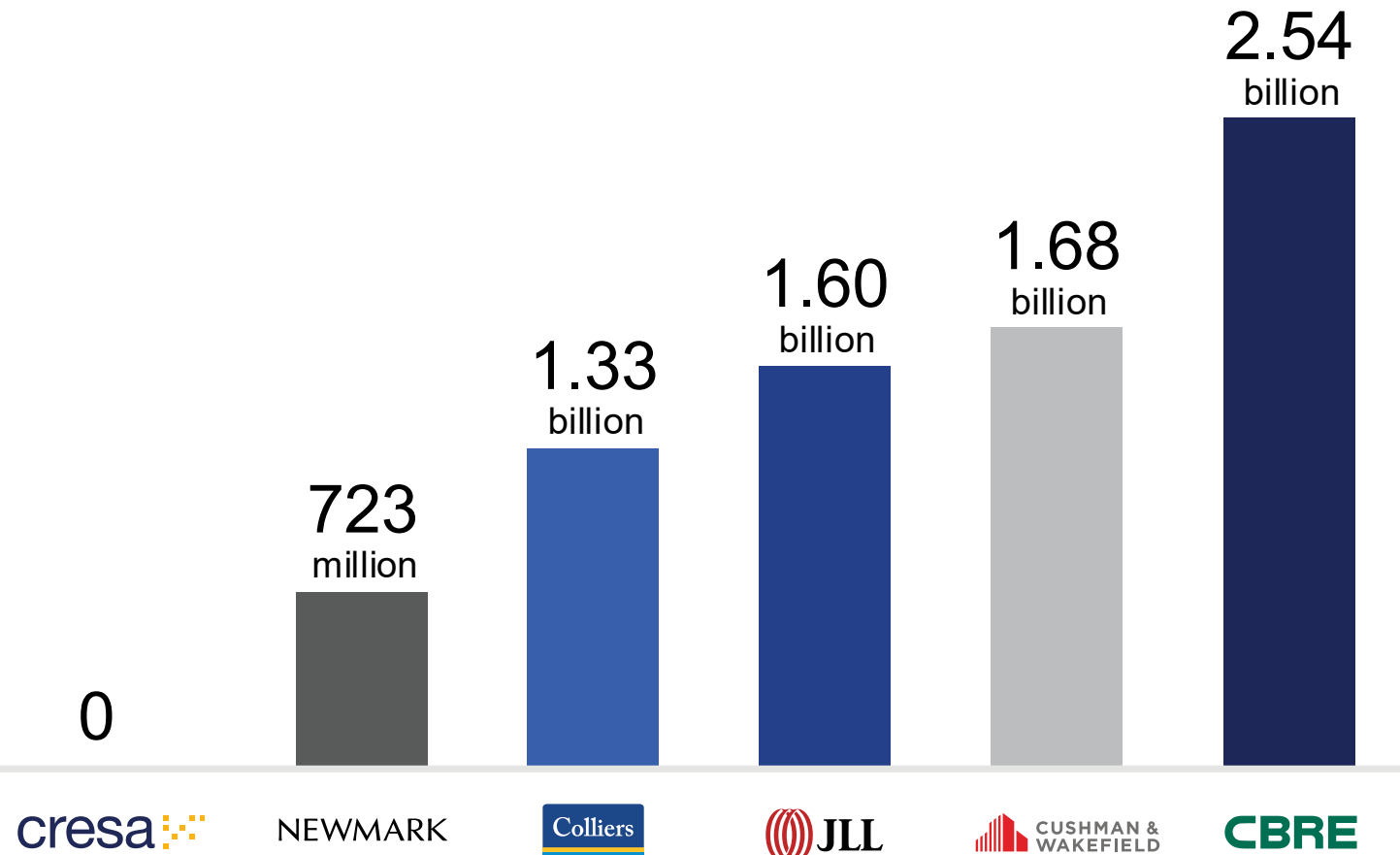
# How We're Different

As the world's largest corporate real estate provider committed exclusively to serving occupiers, we're in a league of our own.

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.

Billions of square feet are represented on the landlord's behalf nationally. Cresa never does business on behalf of landlords.





Supporting our mission to find and foster the best environment for every business, we have over 50 offices in North America providing seamless coverage.

112+  
Industries Served

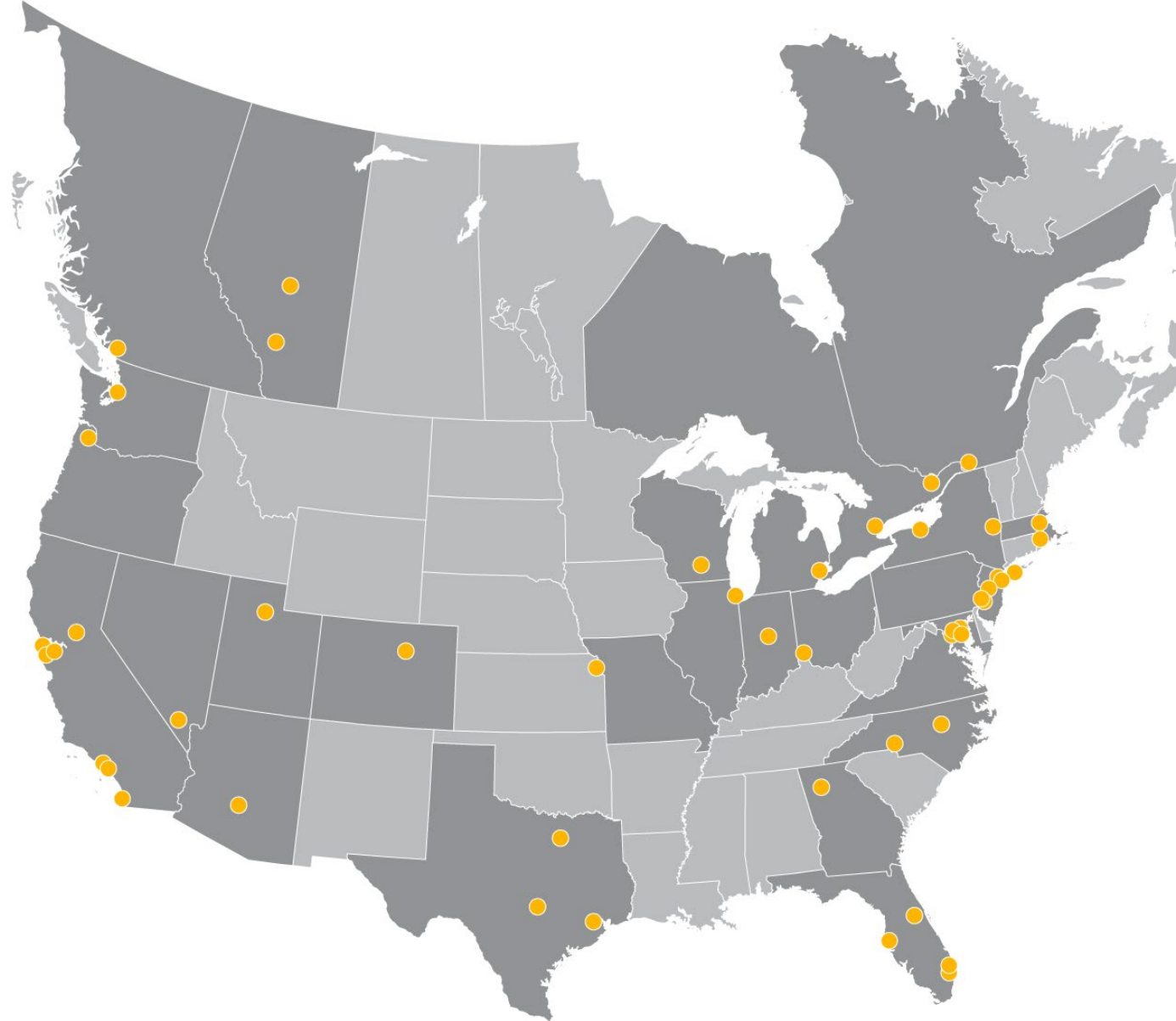
2.4K+  
Global Clients

78.5M+  
SF Transacted

700+  
Cities

Albany, NY  
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

Minneapolis, MN  
Montreal, QB  
New York, NY  
Ottawa, ON  
Orange County, CA  
Orlando, FL  
Philadelphia, PA  
Phoenix, AZ  
Portland, OR  
Princeton, NJ  
Providence, RI  
Raleigh, NC  
Rochester, NY  
Rutherford, NJ  
Sacramento, CA  
Salt Lake City, UT  
San Diego, CA  
San Francisco, CA  
Seattle, WA  
Silicon Valley, CA  
Tampa, FL  
Toronto, ON  
Tysons Corner, VA  
Vancouver, BC  
Washington D.C.





**Healthcare Real Estate trends include a shift toward decentralized and non-acute care settings to combat elevated costs and staffing and inflation challenges.**

The OBBBA provides opportunities for the commercial real estate sector in the form of tax incentives and challenges in Medicare funding cuts and additional hospital strain. The Medical Office Building (MOB) sector remains strong due to robust occupancy and restrained development, but occupiers need to be agile as the healthcare delivery landscape shifts.

**Contact your local Cresa advisor to turn challenges into opportunities.**

► **CONTACT US**

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