HEALTHCARE SECTOR

Spring 2026

Healthcare Trends

Providers that take a proactive, portfolio-driven approach that is grounded in early planning, full-cost analysis, and flexible lease structuring will be best positioned to manage costs and support long-term growth in a rapidly evolving healthcare landscape.

Aging Population
The aging population is driving strong demand in the medical office sector, resulting in high occupancy rates and limited quality options.

Portfolio Optimization
Consolidations, divestitures, and portfolio reviews are changing how healthcare systems use space. While these shifts may disrupt current users, they also create opportunities through subleasing options and motivated sellers.

Constrained Construction
New developments in the medical office sector are currently limited due to capital market conditions, rising construction costs, and more selective lending. This has increased demand for existing medical office space, resulting in higher rents, operating costs, and budgets for tenant improvements.

Strong Investor Demand
The medical office sector is attracting substantial investor interest due to its stable cash flow and continued demand for healthcare services, leading to increased acquisitions and ownership transitions.

Shift to Outpatient Care
As healthcare services shift to outpatient and retail settings, providers are rethinking their locations and offerings. Real estate must focus on convenience, visibility, and patient access while adapting to changing service strategies.

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

Sources: CoStar, Cresa, and Tax Policy Center

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% 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 (AGCs)

- 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.

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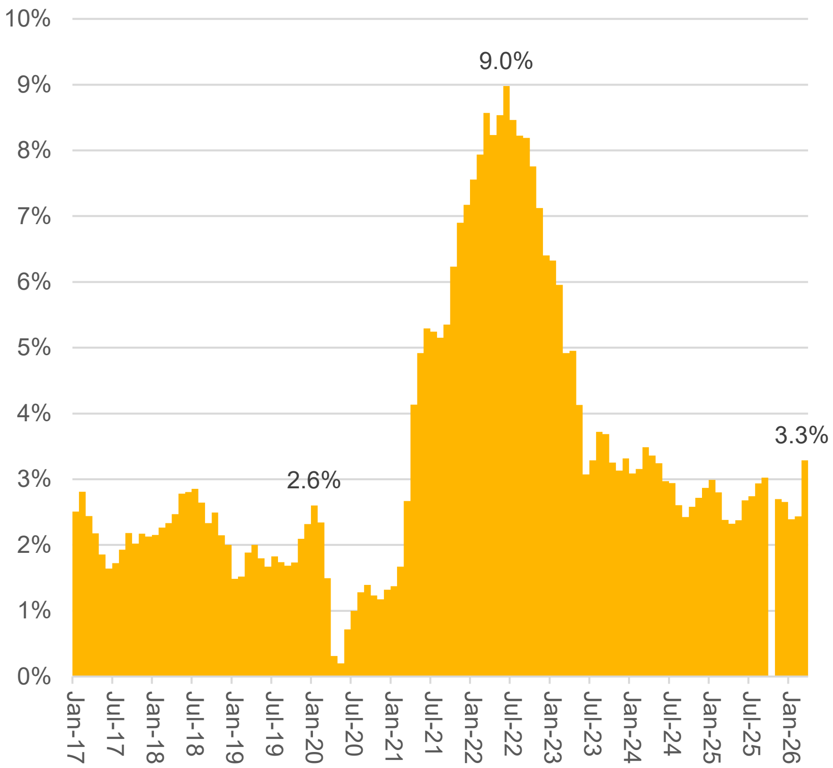
The annual increase of the Consumer Price Index jumped to 3.3 percent in March. Global conflicts and supply chain disruption have pushed inflation in the Energy sector to jump 12.6 percent year-over-year in March. The Fed has paused interest rate cuts due to the elevated inflation, prioritizing reducing inflationary pressures over easing monetary policy. The Medical sector has been on the lower end of inflation increases, compared to the broader sectors.

Economy: Inflation (CPI)

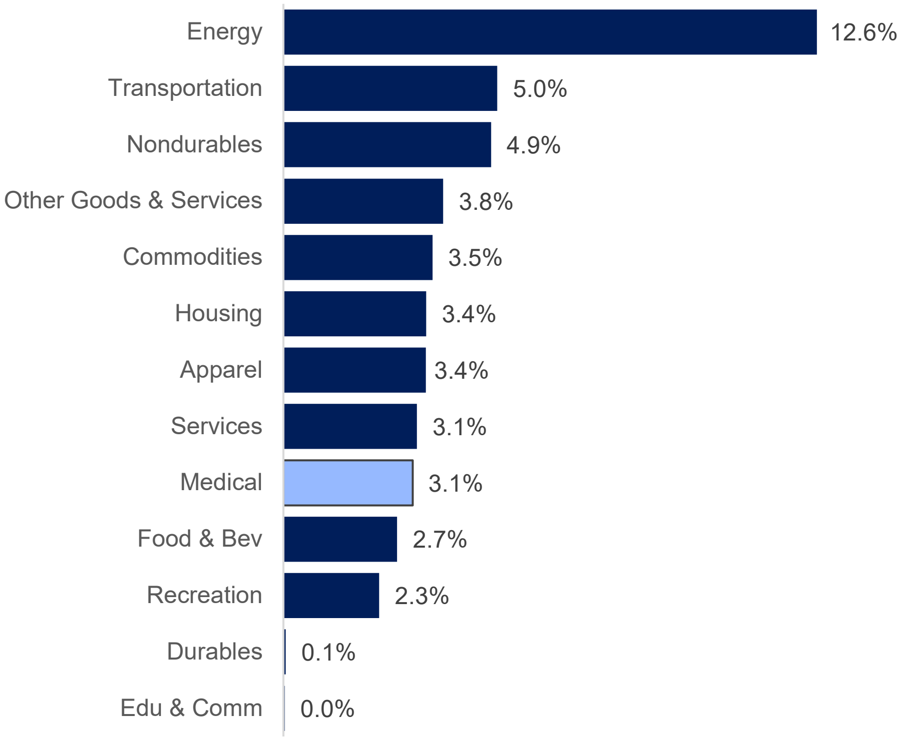
Inflation Moves Higher as the Energy and Transportation Sectors Spike

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



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Consumer Price Index (CPI) thru March 2026

Consumer Price Index by Sector (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Consumer Price Index (CPI) thru March 2026

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Both medical care commodities and services have seen inflation remain generally below or comparable to the overall inflation rate. Medical care has generally trended lower in the past year. Medical care commodities, which include medicine and medical equipment, have been ticked higher in the last two quarters. However, the threat of tariffs may push commodity prices higher in the near- to mid-term.

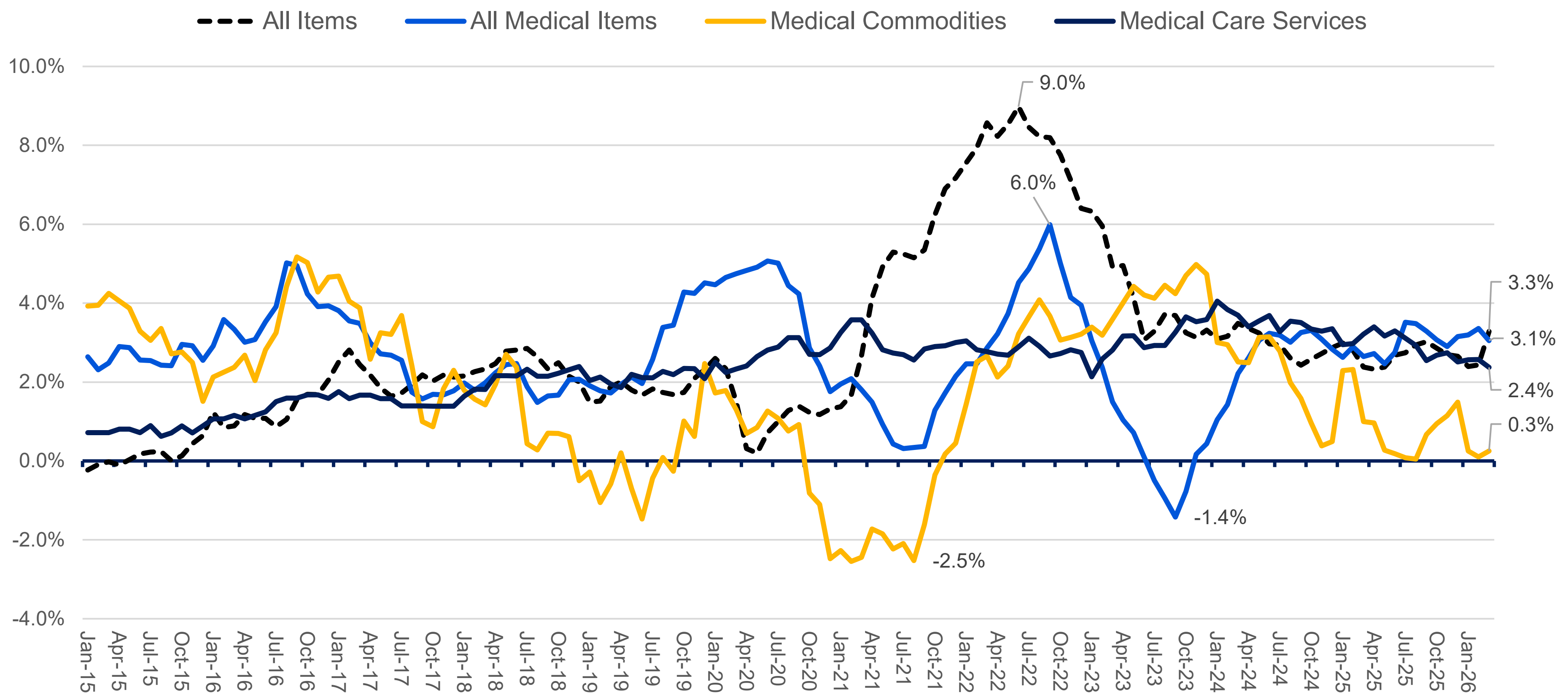
Medical care commodities are tangible goods used in medical treatment, like prescription and non-prescription drugs, and medical equipment and supplies.

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 Steadies 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 March 2026 (Not Seasonally Adjusted)

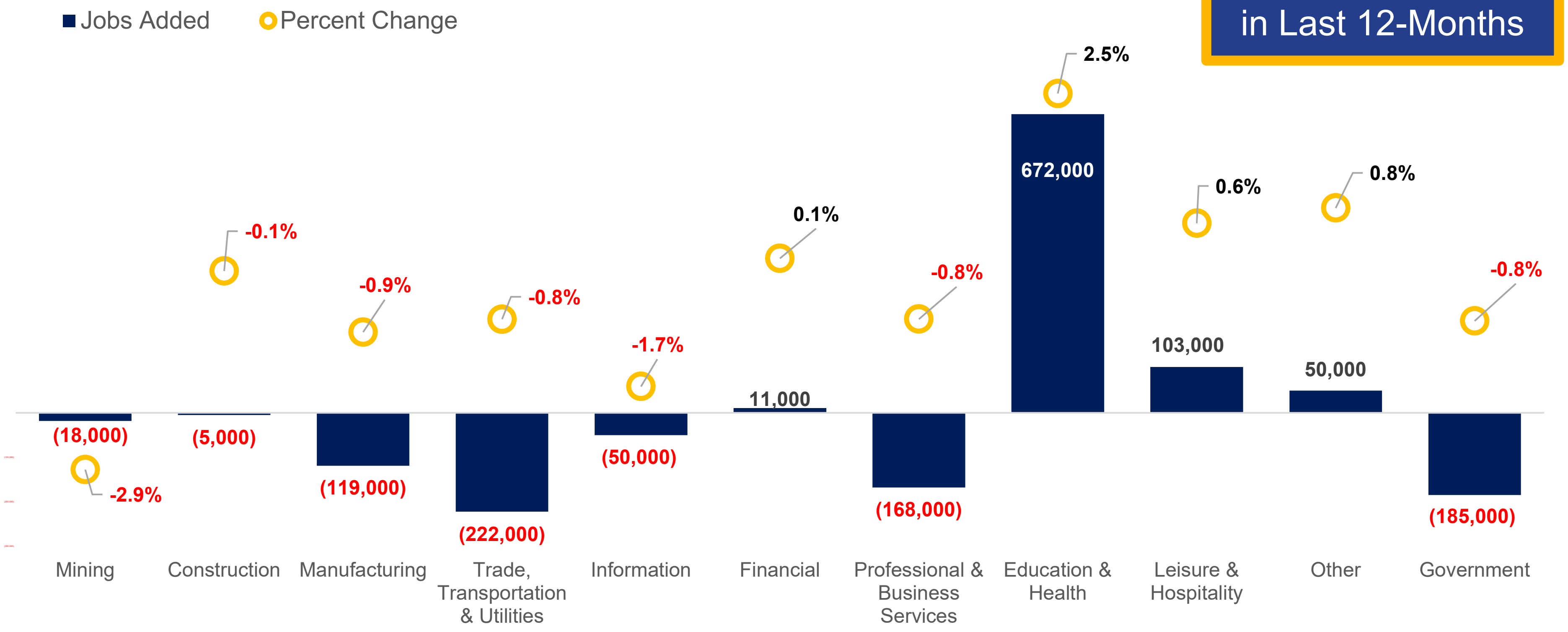
Despite generally weak employment figures, particularly in sectors that typically occupy office space, the healthcare and social assistance industries created approximately 76,000 jobs in March. In contrast, the professional and business services sector, along with the trade, transportation, and utilities sectors, have faced significant challenges, leading to job losses of 168,000 and 222,000, respectively, over the past year. Additionally, two extended government shutdowns in the past six months have resulted in a decline of 185,000 jobs in the government sector during the same period.

Labor

Education/Healthcare Add More Than 670,000 Jobs in the Past Year

Job Creation by Sector (12-Month Change)

69K Jobs Added in Last 12-Months



Source: U.S. Bureau of Labor Statistics, https://bls.gov
thru March 2026

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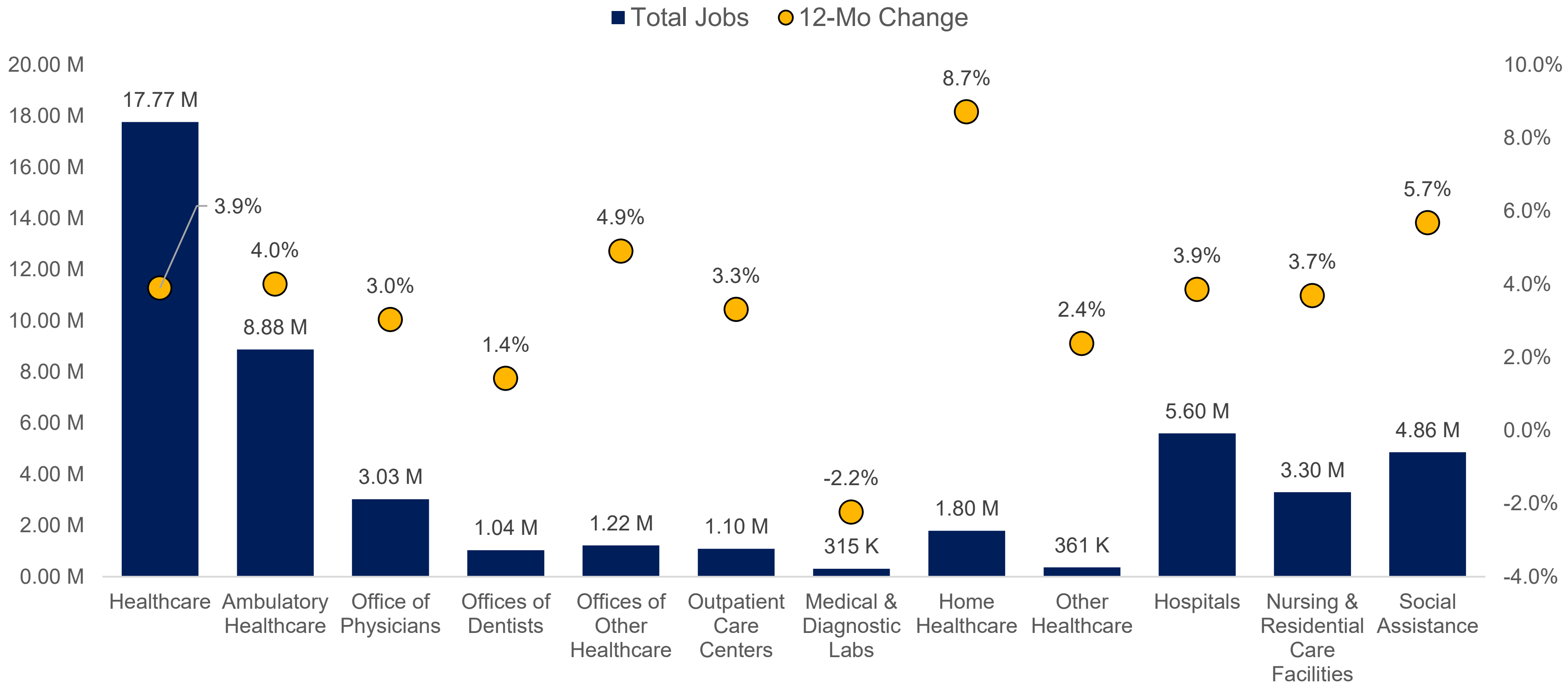
The home healthcare and social assistance sectors have experienced the highest percentage of growth over the past year. There has been an increasing demand for home care services as the aging baby boomer generation requires specialized care. Additionally, other healthcare offices and ambulatory healthcare facilities have also created a significant number of new jobs in the last 12 months.

Overall, every sector within healthcare added jobs during the past year, making it a notable exception in a broader job market that has struggled to show positive growth.

Labor

Home Healthcare and Social Assistance Jobs Jumped Over the Past Year

Healthcare Sector Total Jobs & 12-Month % Change



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

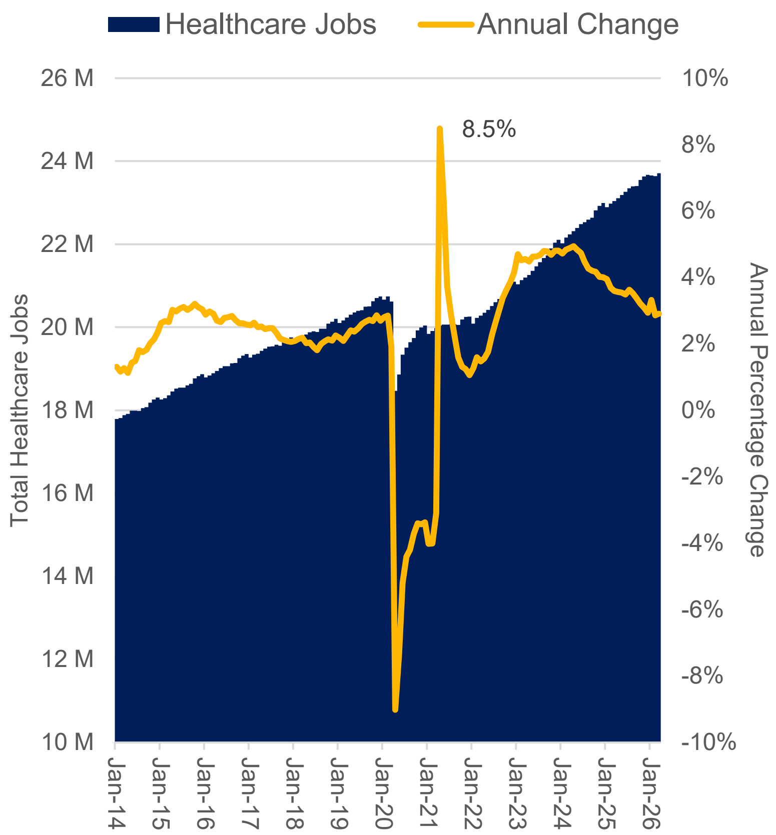
The healthcare and social assistance sector has consistently outperformed annual growth rates compared to the pre-pandemic era. In fact, healthcare has added 2.97 million jobs since its peak before the pandemic, representing a 14.3 percent increase. Although job growth is slowing, it remains elevated, reaching an all-time high in employment levels as of March. However, proposed cuts to Medicaid may hinder or change the expected future growth of healthcare jobs.

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

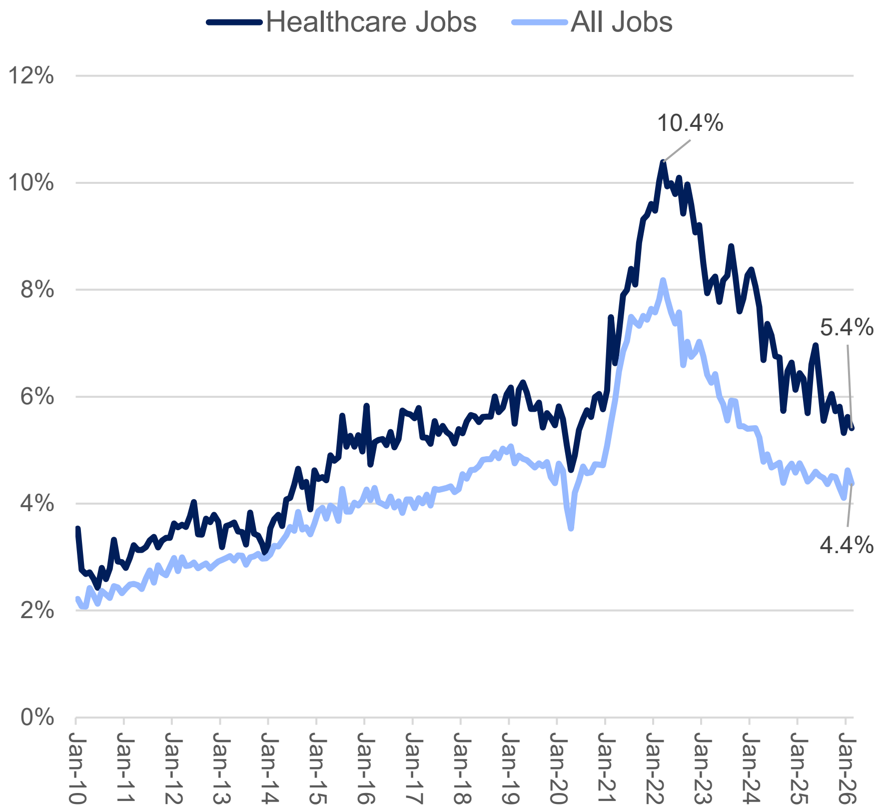
Healthcare & Social Assistance (Total Employment)



Source: U.S. Bureau of Labor Statistics, https://bls.gov
thru March 2026

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 March 2026 (JTS6200JOL)

Healthcare Real Estate Trends

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

The U.S. medical office building (MOB) sector is currently strong, driven by demographic trends and the shift toward outpatient care. An aging population and rising healthcare spending are increasing long-term demand, while technology and patient preferences are moving services from hospitals to community-based settings.

Occupancy levels are high, averaging over 90 percent, with rising rents and robust leasing activity, despite limited new construction due to high costs and financing challenges. Investor interest in MOBs remains strong, as they are viewed as stable income-generating assets.

Overall, the outlook is cautiously optimistic, with demand likely to exceed supply in the near term despite macroeconomic challenges and labor shortages.

Tenant View

- **Location Strategy & Care Shift:** Healthcare providers should align their real estate with the trend toward outpatient care, focusing on accessibility and a balance between on-campus and off-campus locations.

- **Cost Pressures & Planning:** Rising construction and operating costs, along with tighter capital markets, require more efficient space use, flexible designs, and long-term leases.

- **Technology & Care Evolution:** As care moves beyond in-person visits, integrating telehealth, AI workflows, and adaptable clinical layouts is increasingly essential.

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Real Estate Trends

Medical Office Buildings – Largest Metros: Fast Facts

The U.S. medical office building (MOB) market has experienced a slowdown, reflecting broader economic trends. However, it has not seen the same steep decline as the traditional office market. Upon closer examination, limited construction has hindered the ongoing growth of the MOB sector in areas such as net absorption and rent growth. Currently, the amount of square footage under construction has decreased due to rising construction costs and higher financing expenses, with a stronger focus on build-to-suit opportunities. While base rent growth has slowed, operating costs—such as utilities and taxes—have risen sharply, leading to increased overall occupancy costs. Despite these challenges, MOB occupancy rates have remained stable and continue to represent a positive aspect of the office asset class.

Market	Inventory SF	Asking Rent ($/SF)	Rent Growth (12 mo.)	Occupancy Rate	Net Absorption SF (12 mo.)	Deliveries SF (12 mo.)	Under Construction SF
US	1,537,399,480	$29.80	0.78%	91.5%	6,242,093	8,120,891	10,481,688
New York City	40,422,296	$42.34	0.79%	88.2%	173,407	549,435	304,500
Los Angeles	42,862,608	$44.65	1.32%	90.5%	(189,529)	119,000	45,227
Chicago	42,480,321	$24.93	-0.60%	88.5%	318,880	207,130	223,132
Houston	45,137,030	$30.65	0.00%	83.6%	847,074	897,829	257,849
Dallas	36,958,876	$34.83	2.35%	87.1%	263,900	481,610	671,588
Washington, DC	40,871,188	$32.45	0.75%	87.4%	(26,132)	0	80,000
Philadelphia	32,687,086	$27.83	-0.25%	89.9%	(320,530)	60,000	294,770
Atlanta	32,563,651	$29.55	0.99%	91.0%	224,056	110,339	518,401
Phoenix	24,511,547	$33.02	0.40%	85.3%	298,222	344,500	502,497
Miami	15,564,784	$49.30	1.50%	93.9%	(26,934)	46,456	252,968
Boston	28,023,130	$32.64	0.87%	92.8%	254,278	311,000	150,000

Source: CoStar, Cresa thru Q1 2026; Base rent does not include operating expenses

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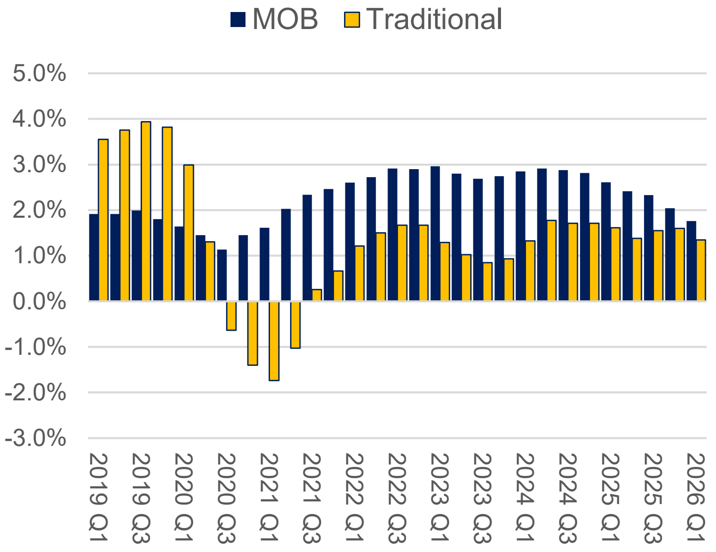
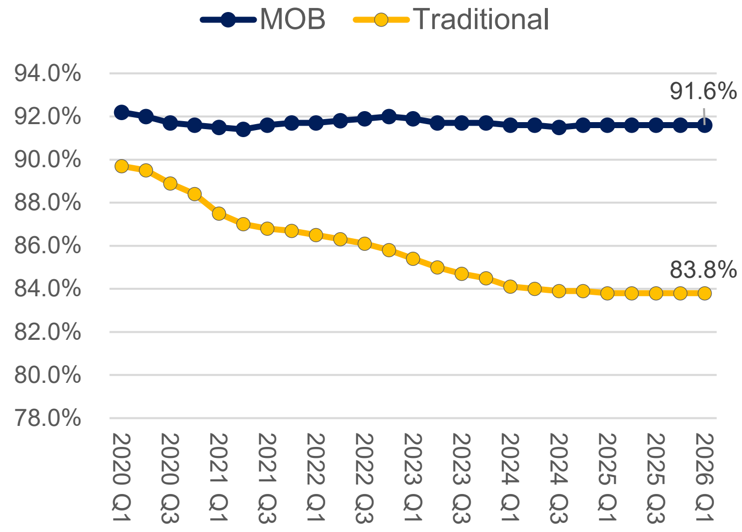
Real Estate Trends: 2026 Q1

Market	Inventory	Rent Growth (12 mo.)	Direct Vacancy Rate	Occupancy Rate	Net Absorption SF (12 mo.)	Leasing Activity SF (12 mo.)	Deliveries SF (12 mo.)	Under Construction SF	Average Cap Rate
Medical Office Buildings (MOB)	1.54B ↑	0.8% ↓	8.2% ↔	91.5% ↔	6,242,093 ↓	37,868,391 ↔	8,120,891 ↓	10,481,688 ↓	6.9% ↓
Traditional	7.23B ↓	1.0% ↔	14.9% ↑	83.8% ↔	12,338,927 ↑	306,565,663 ↔	35,351,076 ↓	57,714,876 ↓	7.3% ↔

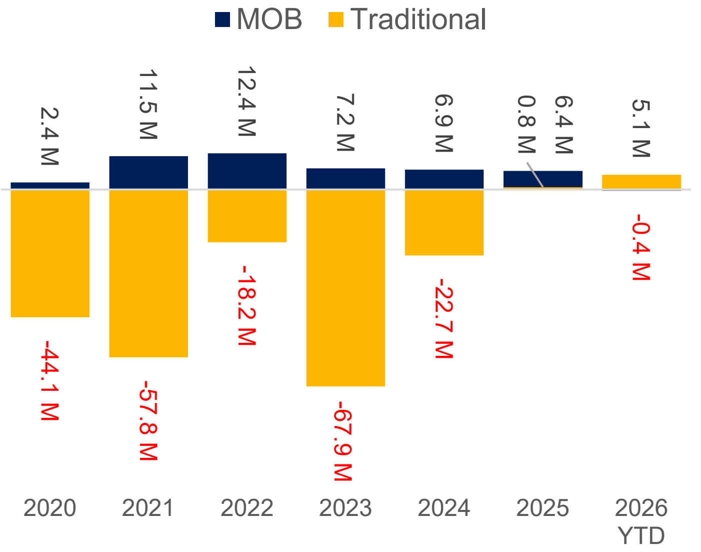
Annual Rent Growth %



Occupancy %



Net Absorption SF



Source: CoStar, Cresa, Data is thru Q1 2026

Asking rents for medical office building (MOB) space have generally slowed over the past 18 to 24 months. The Orlando market has seen the highest asking rates in the past year, primarily due to limited supply. Notably, asking rates across the U.S. have increased by less than 1.0 percent over the last 12 months. The Bay Area and Miami have the highest asking rates, closely followed by Los Angeles.

It's important to note that new class A MOBs continue to command a premium, even as the overall market slows. Landlords are willing to invest more in tenant improvements (TIs) to secure longer lease terms with creditworthy tenants.

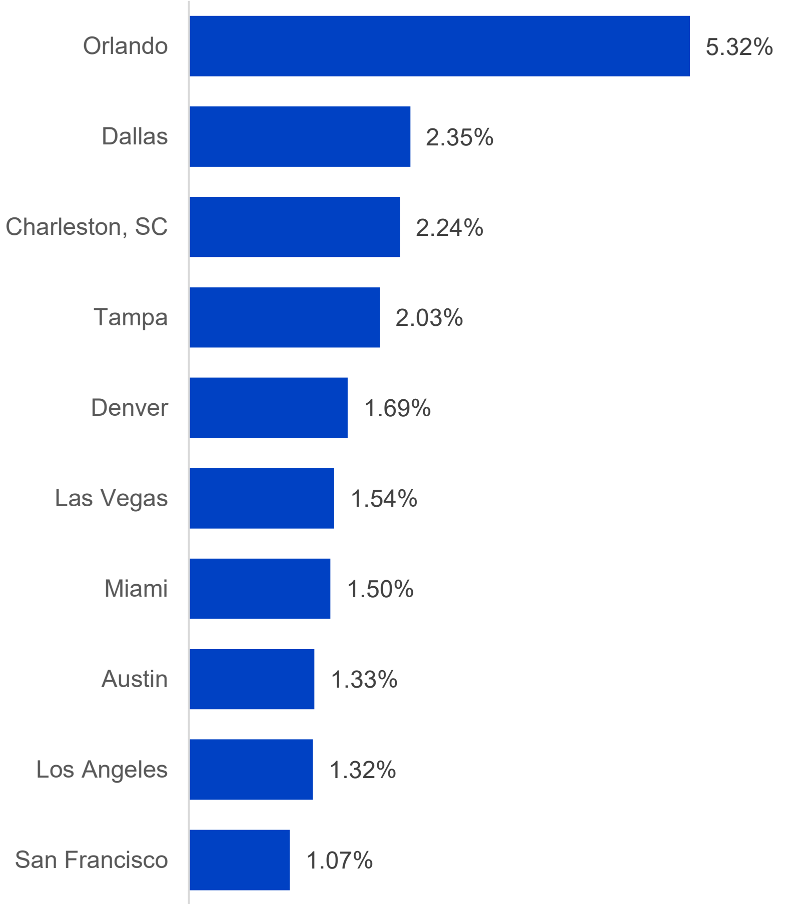
Source: CoStar, Cresa thru Q1 2026; Base rent does not include operating expenses

Real Estate Trends

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

Highest Asking Rent – Q1 2026

Highest Rent Growth – 12-Month Change



Source: CoStar, Cresa

Houston has consistently led the nation in net absorption over the past several years, a trend closely linked to the significant number of new medical office building (MOB) deliveries. Other southern markets, fueled by strong population growth, have also seen robust absorption rates in the past year.

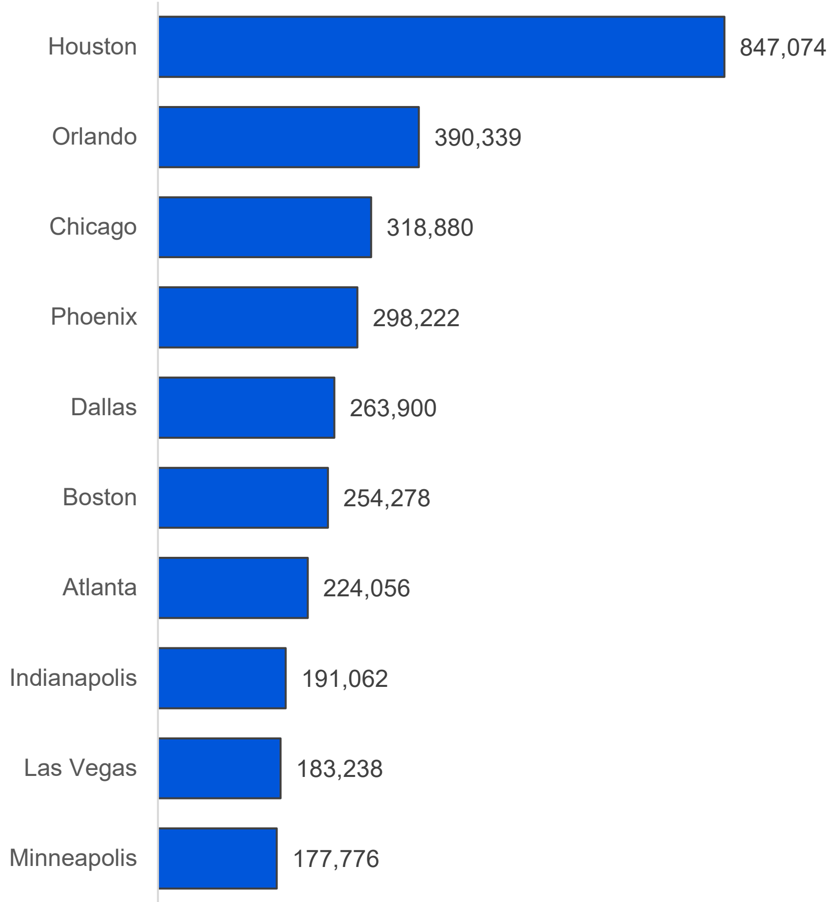
In the Omaha market, occupancy rates have reached over 95 percent, with smaller markets such as Charleston, South Carolina; Madison; and Indianapolis following closely behind.

Source: CoStar, Cresa thru Q1 2026; Base rent does not include operating expenses

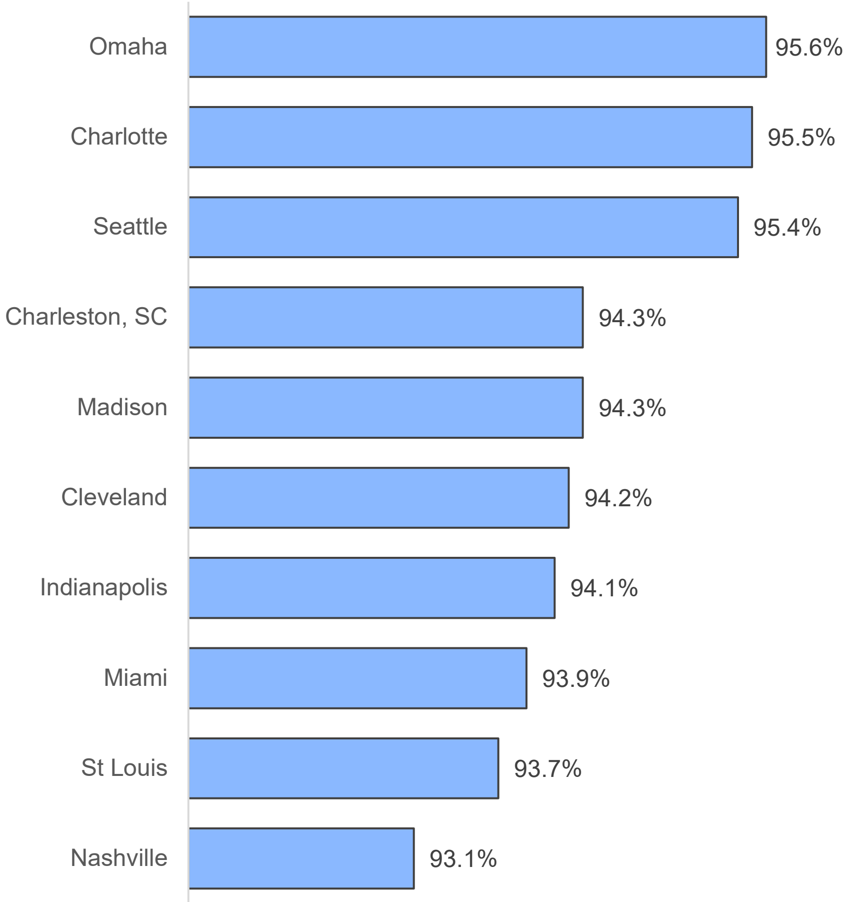
Real Estate Trends

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

Highest Net Absorption – Past 12 Months



Highest Occupancy – Q1 2026



Deliveries have decreased over the past two quarters; however, the construction pipelines for medical office buildings (MOBs) remain active. Texas continues to be a strong market, with three of the top ten markets reporting the highest square footage of deliveries in the past twelve months.

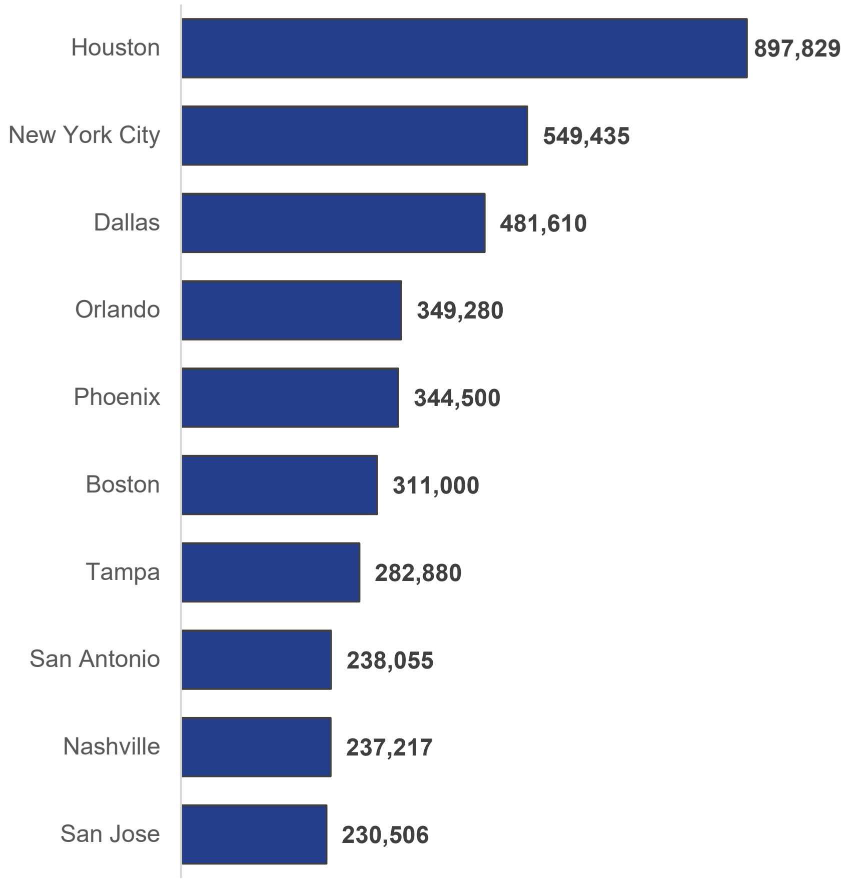
Additionally, several tertiary markets with robust healthcare systems, such as Cleveland and Indianapolis, have high levels of MOBs currently under construction.

Source: CoStar, Cresa thru Q1 2026

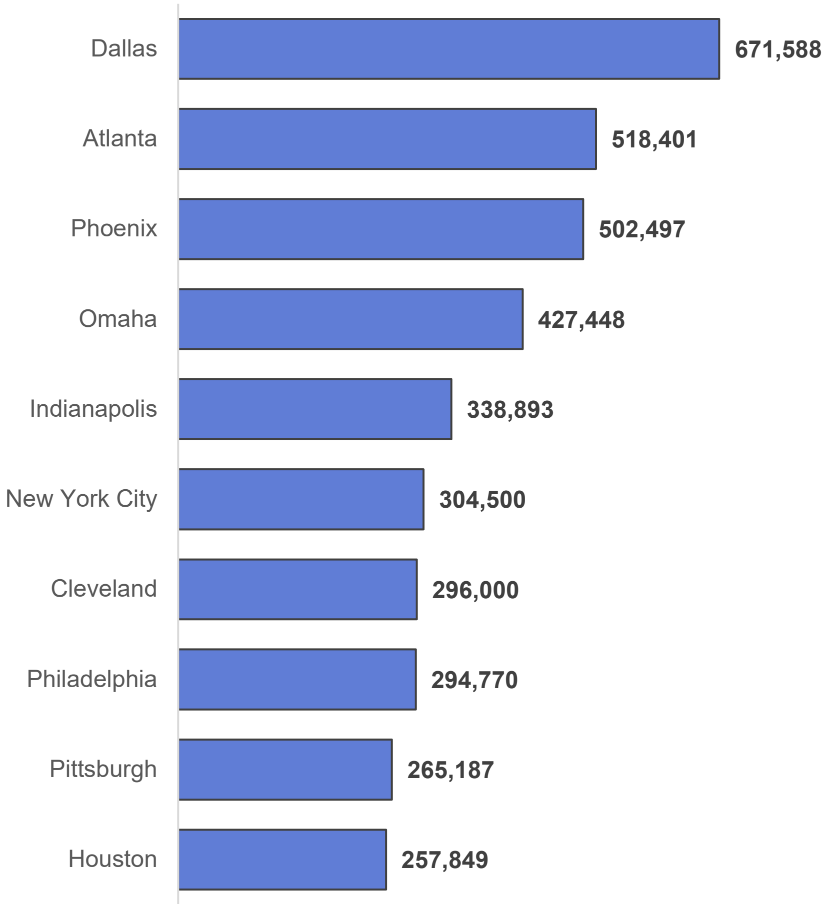
Real Estate Trends

Medical Office Buildings – Top 10 Markets: Construction Pipelines

Deliveries – Past 12 Months



Under Construction – Q1 2026



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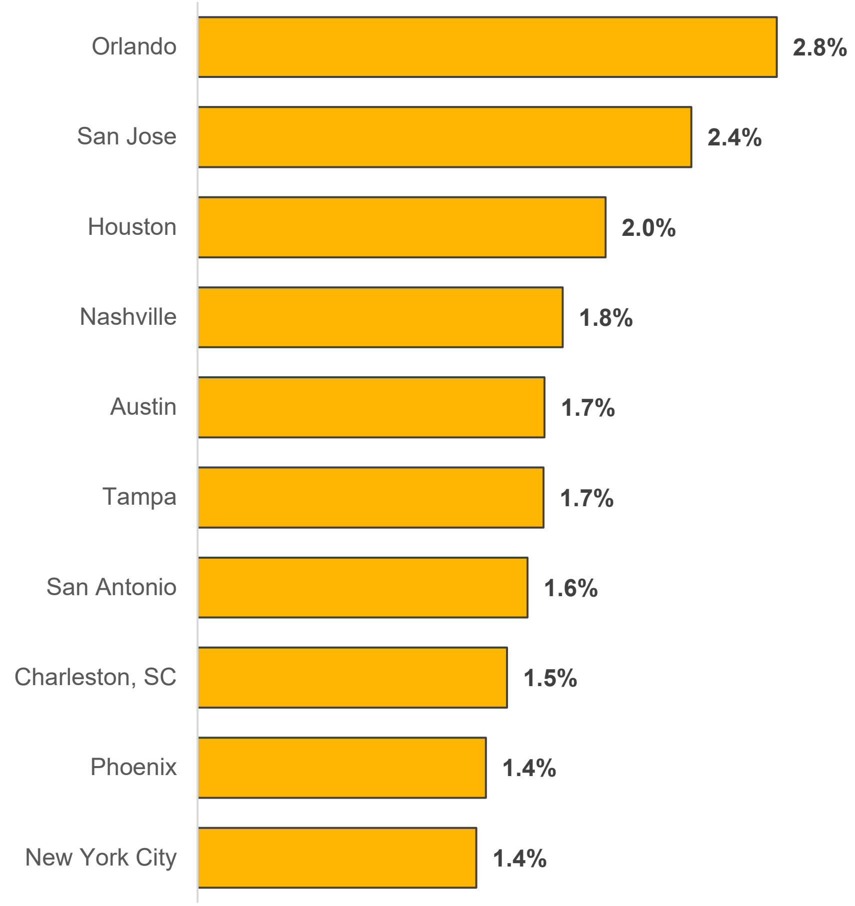
Real Estate Trends

Medical Office Buildings – Top 10 Markets: Active Construction Markets

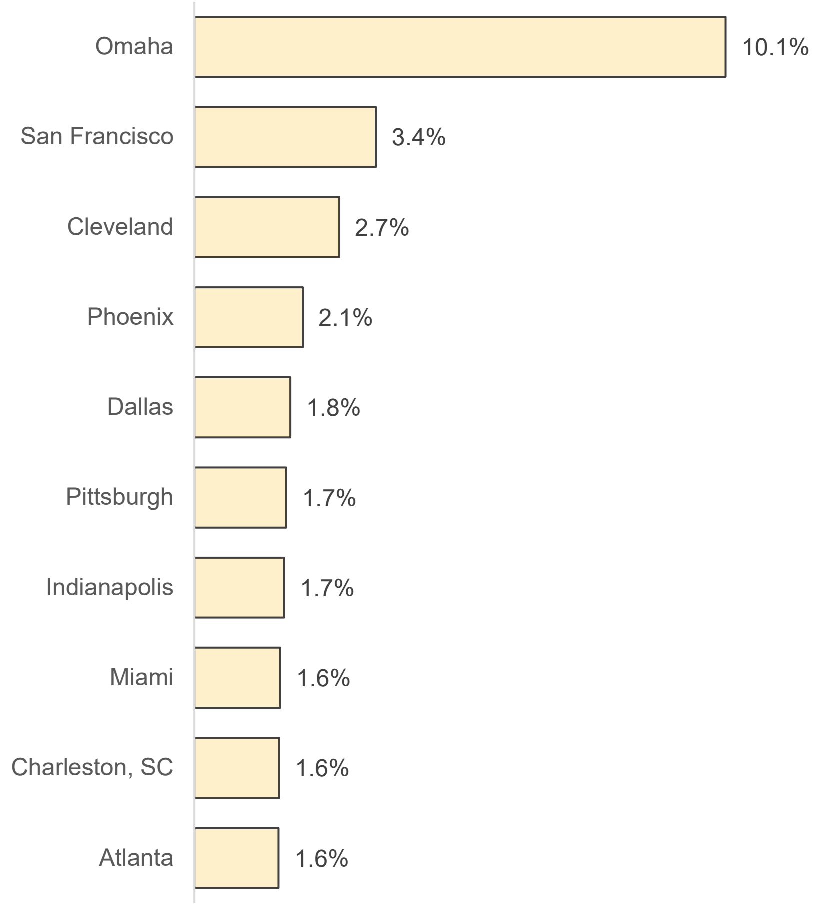
Examining the levels of deliveries and the square footage under construction as a percentage of total inventory offers valuable insights into the extent of new development.

Omaha and Nashville are actively increasing their inventory of medical office buildings (MOBs). Moreover, the influx of people moving to Florida is driving greater construction activity in cities like Tampa and Orlando.

Deliveries (12-Months) as Percentage of Total Inventory



Under Construction as Percentage of Inventory



Source: CoStar, Cresa thru Q1 2026

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The following is a snapshot of Medical Office Buildings (MOBs) in several markets across the United States.

Medical Office Building FastFacts

	Inventory SF	Asking Rent ($/SF)	Rent Growth (12 mo.)	Occupancy Rate	Net Absorption SF (12 mo.)	Deliveries SF (12 mo.)	Under Construction SF
US	1,537,399,480	$29.80	0.78%	91.5%	6,242,093	8,120,891	10,481,688
Atlanta	32,563,651	$29.55	0.99%	91.0%	224,056	110,339	518,401
Austin	11,762,957	$38.82	1.33%	89.2%	2,631	199,030	112,244
Baltimore	22,147,269	$27.69	-0.40%	90.1%	(242,959)	139,980	149,583
Boston	28,023,130	$32.64	0.87%	92.8%	254,278	311,000	150,000
Charleston, SC	7,480,354	$35.55	2.24%	94.3%	43,385	112,808	120,000
Charlotte	14,082,527	$36.06	0.95%	95.5%	169,916	129,880	155,063
Chicago	42,480,321	$24.93	-0.60%	88.5%	318,880	207,130	223,132
Cincinnati	11,655,685	$22.13	0.82%	91.9%	(38,201)	0	78,450
Cleveland	10,794,850	$21.68	0.18%	94.2%	92,147	0	296,000
Columbus	12,867,984	$24.94	1.01%	92.7%	80,993	0	35,854
Dallas	36,958,876	$34.83	2.35%	87.1%	263,900	481,610	671,588
Denver	19,466,646	$30.76	1.69%	89.3%	(161,282)	30,000	120,000
Detroit	27,279,379	$23.11	0.87%	88.1%	131,623	30,000	173,369
Houston	45,137,030	$30.65	0.00%	83.6%	847,074	897,829	257,849
Indianapolis	19,956,147	$24.60	-0.65%	94.1%	191,062	96,000	338,893
Kansas City	14,865,229	$28.51	0.07%	92.4%	69,090	14,000	0
Las Vegas	13,314,122	$29.63	1.54%	89.0%	183,238	155,416	39,960
Los Angeles	42,862,608	$44.65	1.32%	90.5%	(189,529)	119,000	45,227
Madison	3,821,668	$23.33	-0.43%	94.3%	123,052	15,000	12,000
Miami	15,564,784	$49.30	1.50%	93.9%	(26,934)	46,456	252,968
Minneapolis	24,585,250	$29.50	0.31%	92.5%	177,776	104,149	0
Nashville	13,329,155	$33.34	0.30%	93.1%	132,369	237,217	0
Northern New Jersey	10,966,639	$31.02	-1.34%	91.8%	150,266	0	0
New York City	40,422,296	$42.34	0.79%	88.2%	173,407	549,435	304,500
Omaha	4,250,511	$28.33	-0.32%	95.6%	13,870	14,975	427,448
Orlando	12,367,893	$35.24	5.32%	92.5%	390,339	349,280	84,821
Philadelphia	32,687,086	$27.83	-0.25%	89.9%	(320,530)	60,000	294,770
Phoenix	24,511,547	$33.02	0.40%	85.3%	298,222	344,500	502,497
Pittsburgh	15,263,595	$23.59	0.17%	91.6%	93,047	0	265,187
Portland, OR	8,706,570	$33.26	0.54%	92.0%	(98,840)	0	0
Salt Lake City	8,383,702	$27.37	0.44%	91.0%	(86,158)	73,976	0
San Antonio	14,798,347	$31.07	0.16%	85.8%	119,372	238,055	72,727
San Diego	15,384,785	$40.23	0.68%	92.9%	130,043	135,000	82,800
San Francisco	7,130,249	$51.04	1.07%	88.8%	12,027	0	245,000
San Jose	9,571,557	$46.94	0.64%	89.5%	137,301	230,506	0
Sacramento	8,269,969	$30.69	0.59%	92.1%	112,857	0	92,000
Seattle	19,280,356	$39.57	0.28%	95.4%	94,620	0	16,000
St Louis	13,078,449	$27.28	0.48%	93.7%	(144,420)	0	28,000
Tampa	16,776,523	$30.69	2.03%	93.0%	172,967	282,880	171,594
Washington, DC	40,871,188	$32.45	0.75%	87.4%	(26,132)	0	80,000

Source: CoStar, Cresa thru Q1 2026; Base rent does not include operating expenses

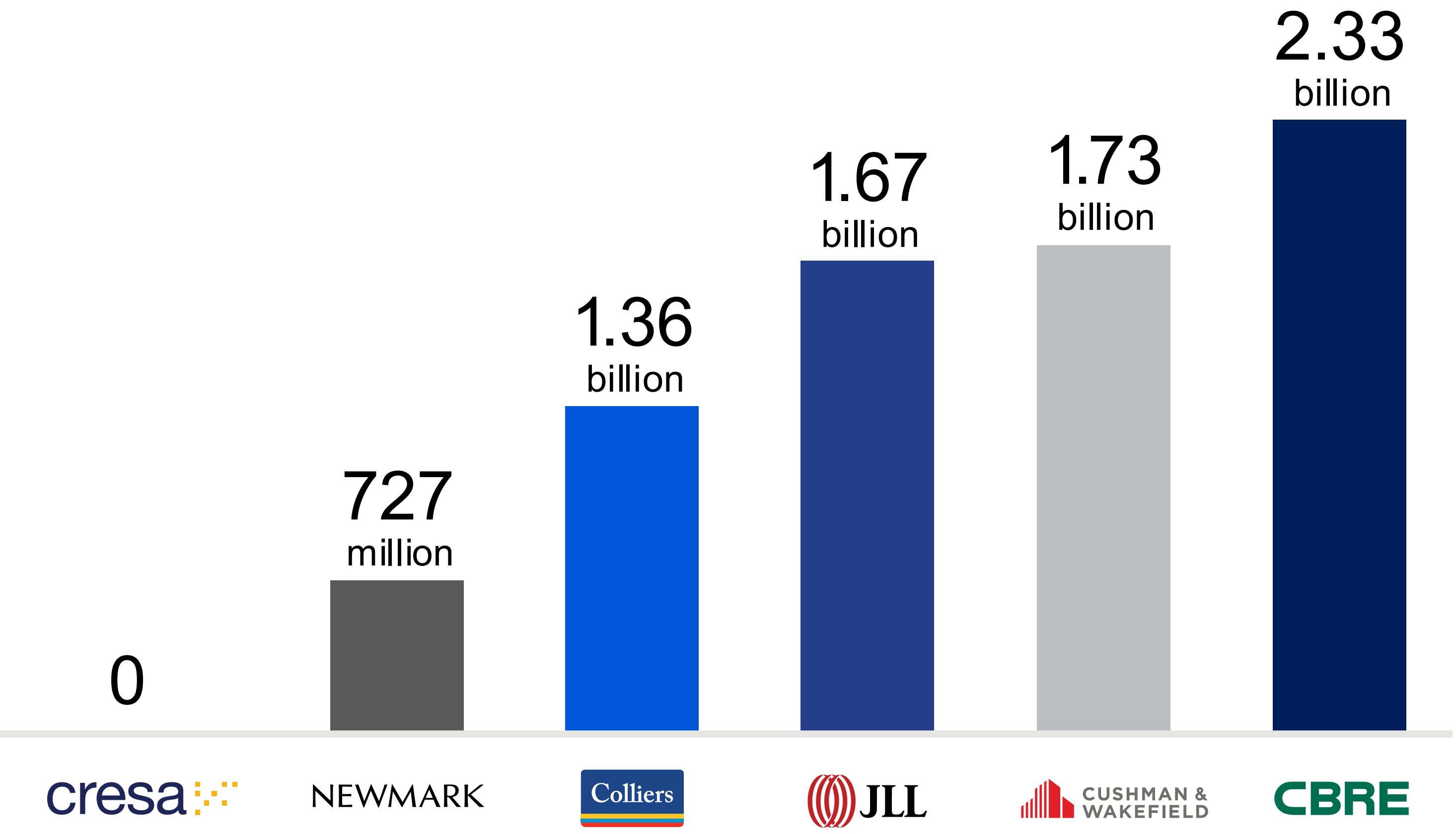
How We're Different

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.



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Supporting our mission to find and foster the best environment for every business, we have over 55 offices in North America providing seamless coverage.

115+
Industries Served

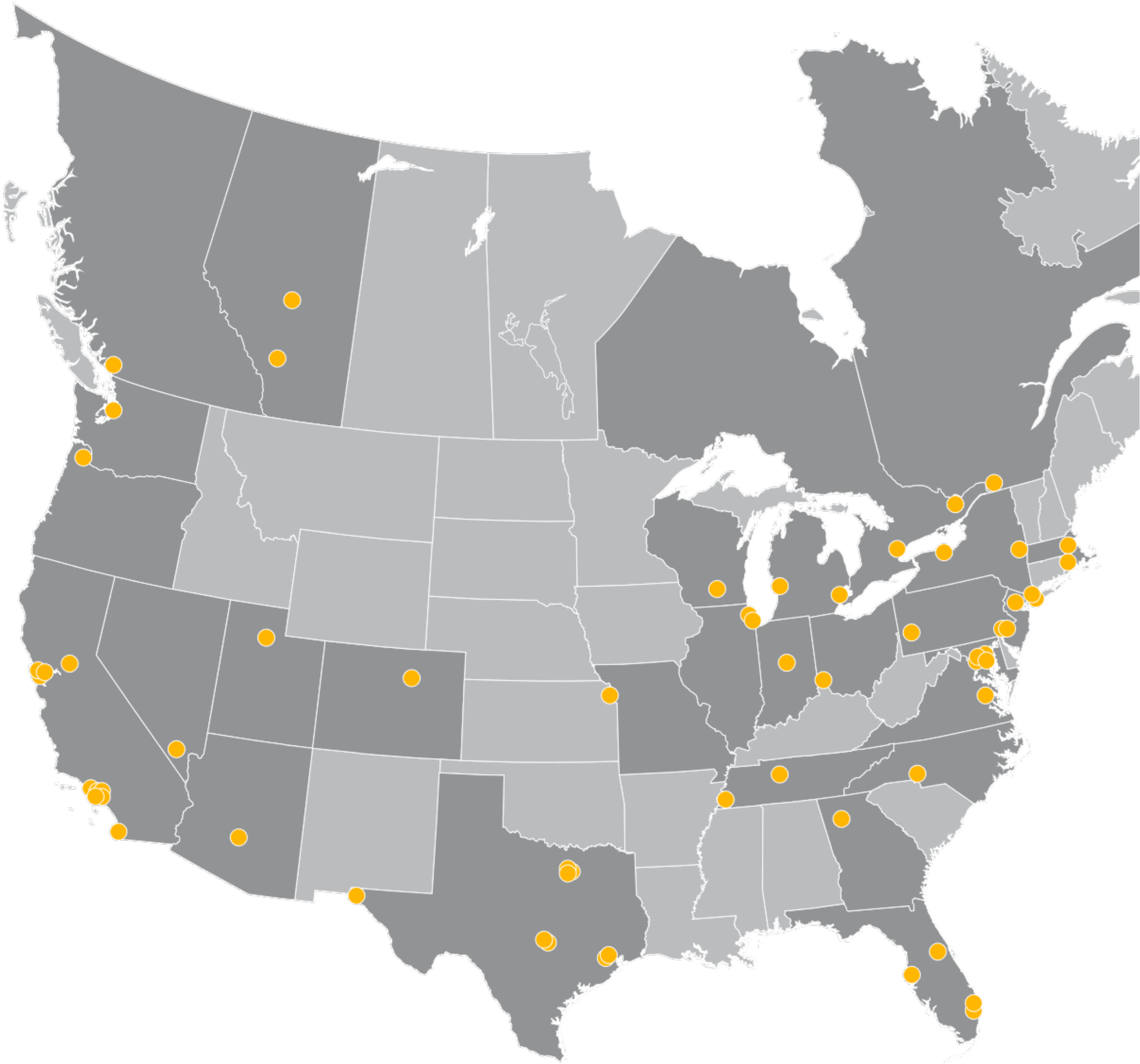
2,500+
Global Clients

101M+
SF Transacted

720+
Cities

1,350+
Team Members

Albany, NY
Atlanta, GA
Austin, TX
Baltimore, MD
Bethesda, MD
Boca Raton, FL
Boston, MA
Calgary, AB
Century City, CA
Charlotte, NC
Chicago, IL
Cincinnati, OH
Conshohocken, PA
Dallas, TX
Denver, CO
Detroit, MI
East Bay, CA
Edmonton, AB
El Paso, TX
El Segundo, CA
Frisco, TX
Grand Rapids, MI
Houston, TX
Indianapolis, IN
Inland Empire, CA
Kansas City, MO
Lake Forest, IL
Las Vegas, NV
Long Island, NY
Los Angeles, CA
Madison, WI
Memphis, TN
Miami, FL
Montreal, QC
Nashville TN
New York, NY
Orange County, CA
Orlando, FL
Ottawa, ON
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Portland, OR
Providence, RI
Richmond, VA
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, VA
Vancouver, BC
Washington, DC



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