ONE BIG BEAUTIFUL BILL ACT

Policy to Property: How the Big Beautiful Bill Will Transform Healthcare CRE

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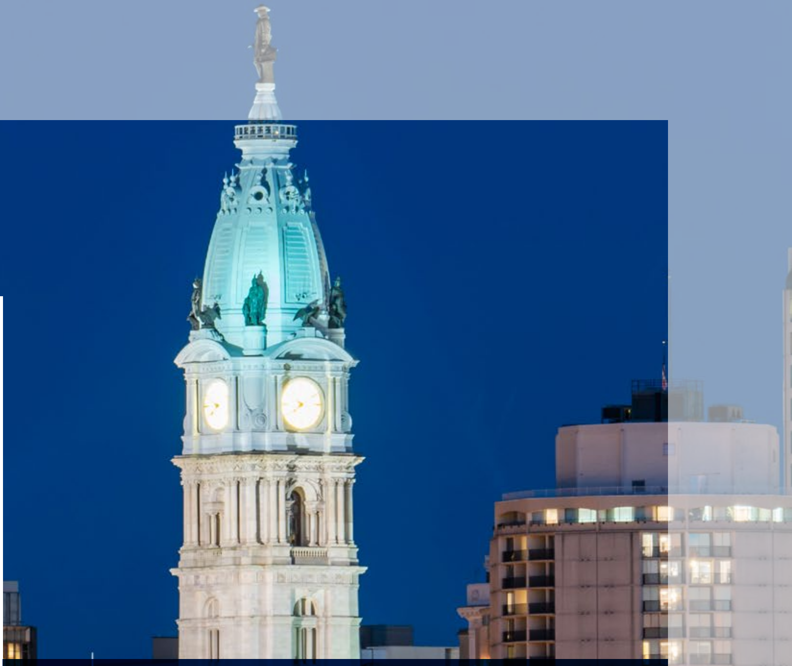

IMPACT ON THE HEALTHCARE SECTOR

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. The following are some of the potential major impacts surrounding the OBBBA on the overall healthcare sector:

Medicare Funding Cuts

The law imposes significant reductions in Medicaid funding over the next decade, with estimates ranging from $900 billion to over $1 trillion in cuts.

Rural Hospital Strain

Facilities in areas that typically operate on thin margins may be at risk of closure due to federal funding cuts and the elimination of some services.

Medicaid Eligibility

Stricter work requirements for able-bodied adults, mandatory cost-sharing, and lower provider tax rates will likely significantly reduce enrollees.

ACA Marketplace Premium Increases

The phasing out of enhanced premium tax credits and higher out-of-pocket costs will likely reduce enrollees.

Regulatory Complexity

The Bill will require States and providers to navigate eligibility and cost-sharing, along with new documentation demands on healthcare IT systems.

OBBBA HIGHLIGHTS

MEDICAID COVERAGE LOSS

~7.8 Million

Fewer people on Medicaid by 2034

HOSPITAL OPERATING MARGIN

2% to 3%

Decline forecast for community hospitals most reliant on public insurance

OUTPATIENT FACILITIES

+12%

Projected increase in share of total care volume by 2030

Sources: Congressional Budget Office, 2025, American Hospital Association, 2025, Advisory Board & AHA projections

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IMPACT ON COMMERCIAL REAL ESTATE

The OBBBA has several provisions that will fundamentally change commercial real estate. The law ramps up tax allowances, bolsters housing incentives, and improves return mechanics for investors. However, the rollback of green building credits places an increased burden on developers focused on sustainability, which increases reliance on subnational programs or market premiums. The legislation is positioned to catalyze development, open capital flows, and enhance scalability, particularly in manufacturing facilities and value-add properties.

OBBBA Provision	Impact on CRE
Bonus Depreciation (100%)	Immediate tax deductions; improves liquidity and cash-on-cash returns - particularly for manufacturing and production businesses
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 exclu-sion 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 and 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

Source: CoStar, Tax Policy Center, and Association of State and Territorial Health Officials

HEALTHCARE REAL ESTATE

While structural shifts toward outpatient care and long-standing resilience in medical office assets provide opportunities – hospitals, rural facilities, and senior housing will need to navigate turbulent changes under the OBBA. The following is a closer look of impacts on sub-sectors of the healthcare real estate industry.

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 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

WHERE TO FOCUS

For tenants and occupiers of healthcare space, the OBBBA places focus on costs and flexibility.

- Funding cuts mean tighter budgets and increasing pass-throughs for NNN leases.
- Rethink location strategy to consolidate locations and/or shift to sites with stronger privately insured patient bases.
- The outpatient shift accelerates the shift out of hospital-campus space and into mixed-use MOBs and retail-adjacent locations.
- Optimize space utilization through right-sizing footprints, multi-specialty co-location with complementary practices.
- Mitigate risk through lease structuring and early termination clauses.
- Implement energy efficient upgrades before the 179D tax incentives expire in mid-2026. Renegotiate leases to allow landlord-shared investment in these upgrades.

About the Author

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Craig serves as the Head of Research for Cresa, the leading commercial real estate tenant advisory in the world. The research role provides insight, thought leadership, and trends impacting occupiers of real estate, and supports existing client relationships and business development.

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