



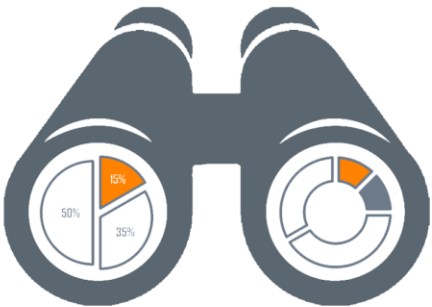
TRANSWESTERN

COMMERCIAL REAL ESTATE

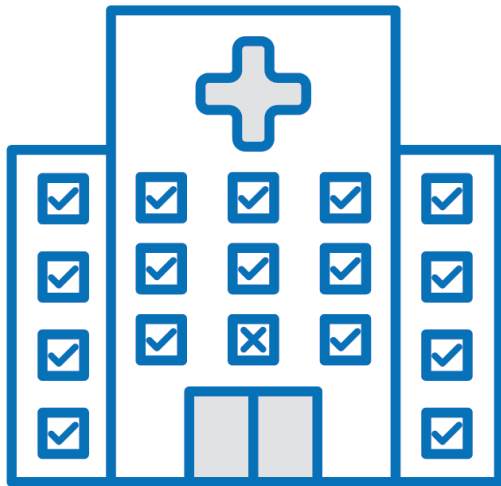
# U.S. MARKET | Medical Office

Q2 2025

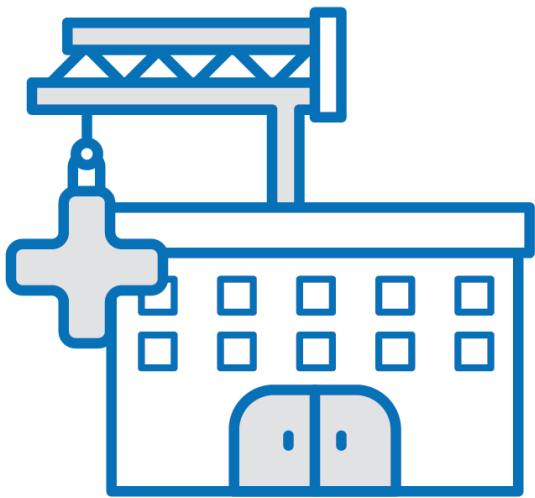
# THE VIEW FROM HERE



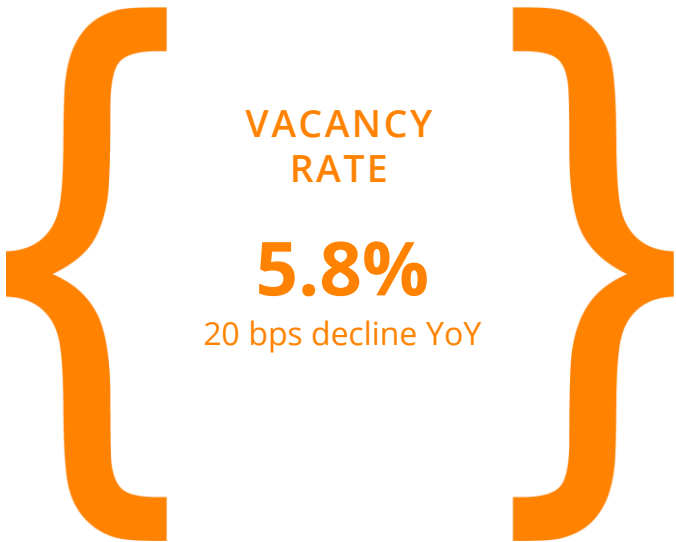
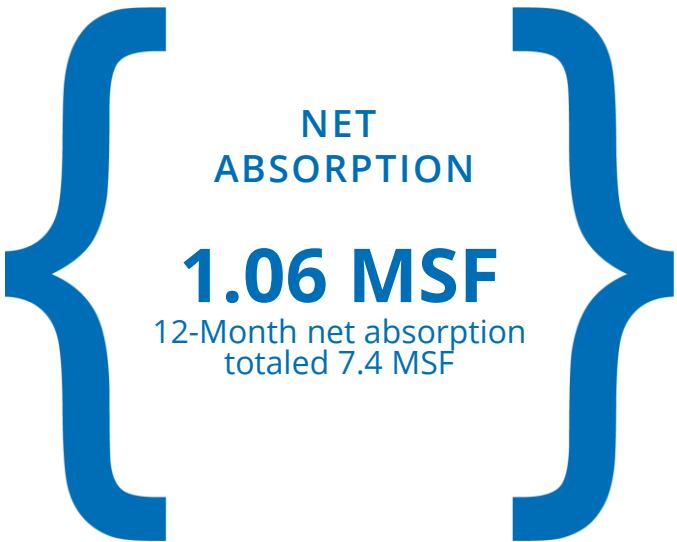
Healthcare has been the backbone of the economy leading all sectors in employment gains.



Nationally, healthcare real estate maintains the strongest fundamentals of all major asset classes.



Stock under construction has dropped 50% in 5 years, pressuring tenants to stay put.



ECONOMIC HIGHLIGHTS

- After starting to decrease rates in late 2024, the Federal Reserve has not enacted any rate changes in 2025. Economic data continues to show improvement, suggesting quantitative easing is a possibility for 2025.
- In its initial reading, U.S. GDP grew 3.0% in Q2 2025, after contracting 0.5% in Q1. Below-trend GDP in 2025 is expected before rebounding in 2026 as one-time tariff impacts sort through the economy in the near term, then fall out of the numbers.
- The U.S. unemployment rate was unchanged during the quarter at 4.1%. In June, the U.S. Bureau of Labor and Statistics cited positive employment growth totaling 147,000 jobs.
- Healthcare continues to be a leading sector for job growth, In June, this sector added 39,000 jobs, closely aligning with the 12-month average of +43,000 monthly gains. Job growth was led by hospitals +16,000, nursing and residential care facilities +14,000.
- Within the healthcare sector across 2024, ambulatory health care services saw a 3.8% or +332,600 increase in jobs, hospital jobs rose by 3.9% or +210,900, and jobs in nursing and residential care facilities saw a 4.1% or +136,400 rise.
- Medical office-using jobs (physicians, dentists, and ambulatory healthcare practitioners) are forecasted to grow by 3.9% in 2025. Mid-year employment reporting confirm on target trajectory to meet those forecasts.
- From 2013-2019, medical office-using jobs grew at an average annual rate of 2.3%. In 2024, medical office-using roles grew by 3.1%, adding 221,200 jobs.

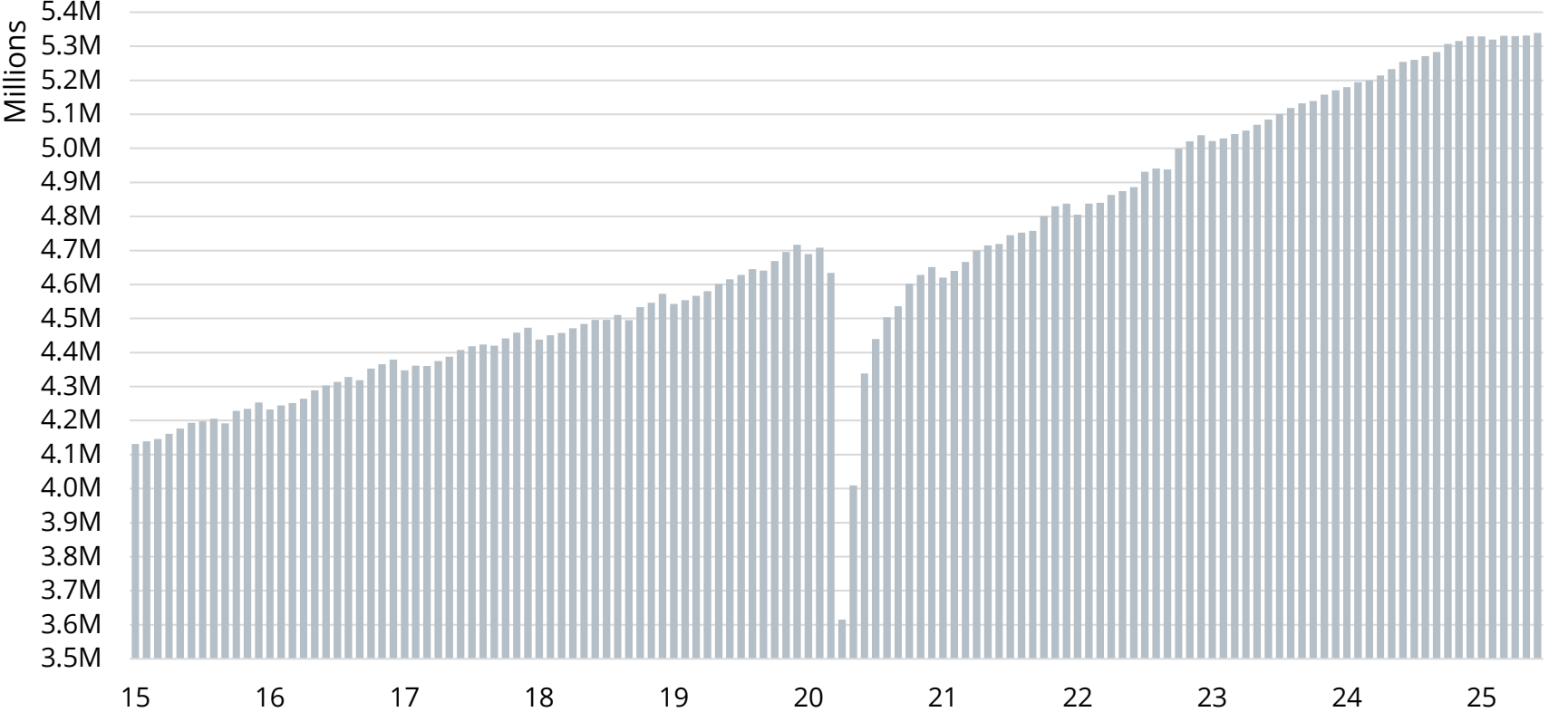
Source: Transwestern, Bureau of Labor Statistics

HISTORICAL

UNEMPLOYMENT RATE



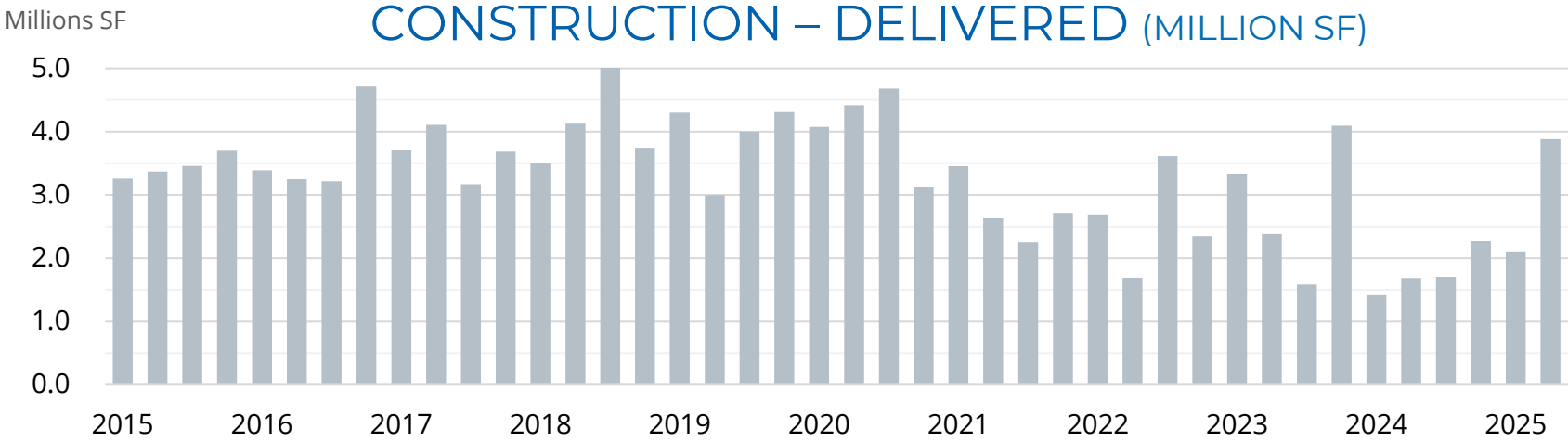
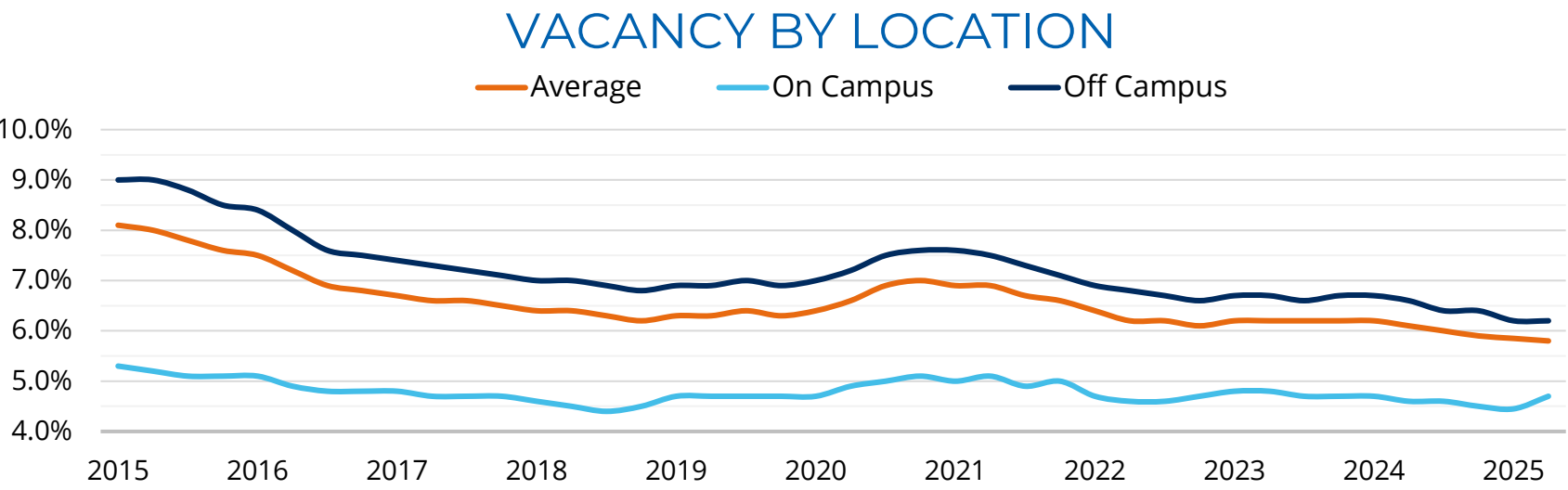
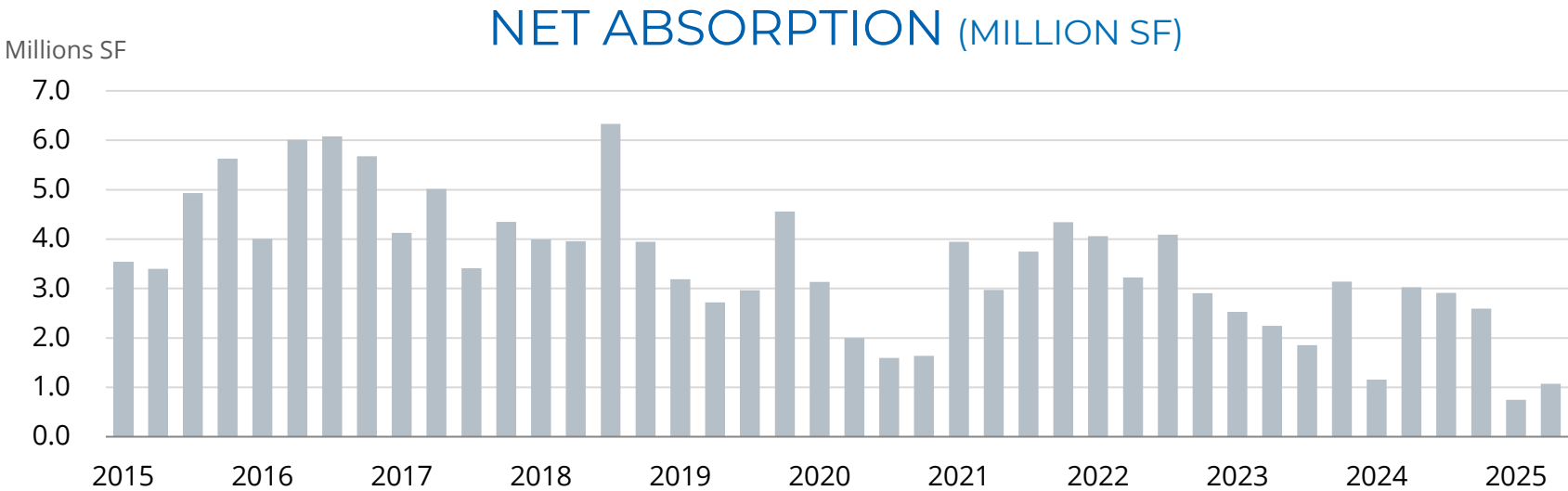
MEDICAL OFFICE-USING JOBS (MILLIONS)



MARKET HIGHLIGHTS

- The growth of outpatient care, a rapidly aging population, and the full post-pandemic recovery of medical office-using employment have driven strong leasing activity and reduced vacancy rates.
- Net absorption recovered in Q2 totaling 1.1 MSF, after experiencing dip in Q1. In total, 2025 YTD net absorption recorded 1.8 MSF.
- More than 70% of the markets tracked recorded a positive net absorption. Six markets recorded a net absorption of over 100,000 SF.
- The direct vacancy rate (combining both on and off-campus properties) decreased by 10 basis points in 2025 and decreasing 30 basis points YoY. Direct vacancy has been slowly trending downward for the last ten quarters.
- On average, asking rates have remained stable over the last 24 months. Market dynamics could start to change, as 25% of our tracked markets have recorded a double-digit percentage growth YoY. The same period last year recorded a 18% increase in tracked markets.
- Current construction projects account for 11.7 MSF of upcoming supply, with only 14.2% available for lease. For comparison, in 2018 the U.S. medical office market had 24.5 MSF under construction.
- Areas with elevated construction projects include North Dallas, New York City and South Los Angeles County. In total, these three areas account for 20% of the construction pipeline.

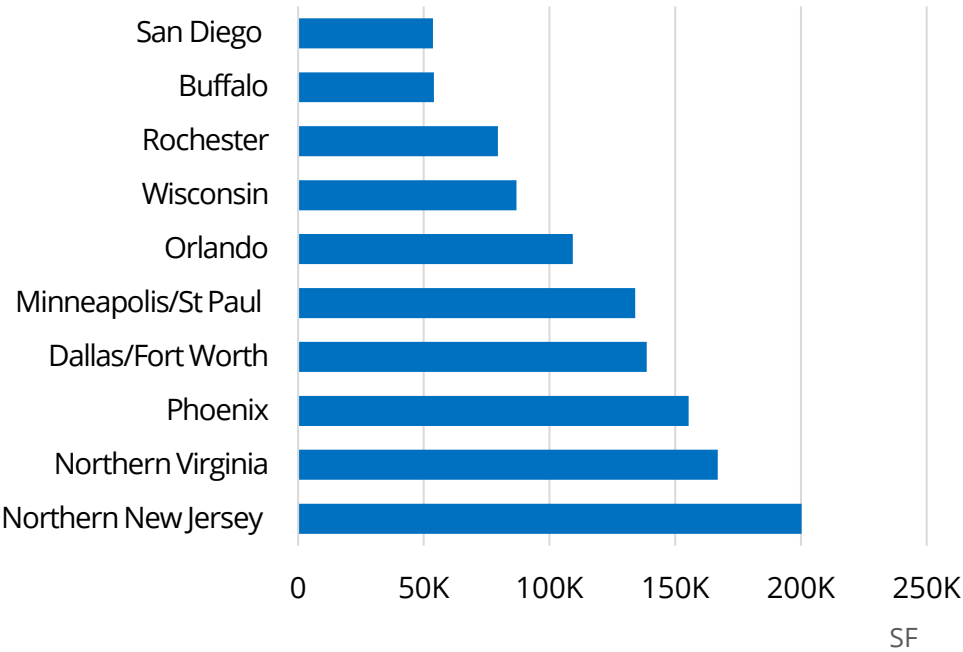
HISTORICAL



Source: Transwestern, CoStar, Revista

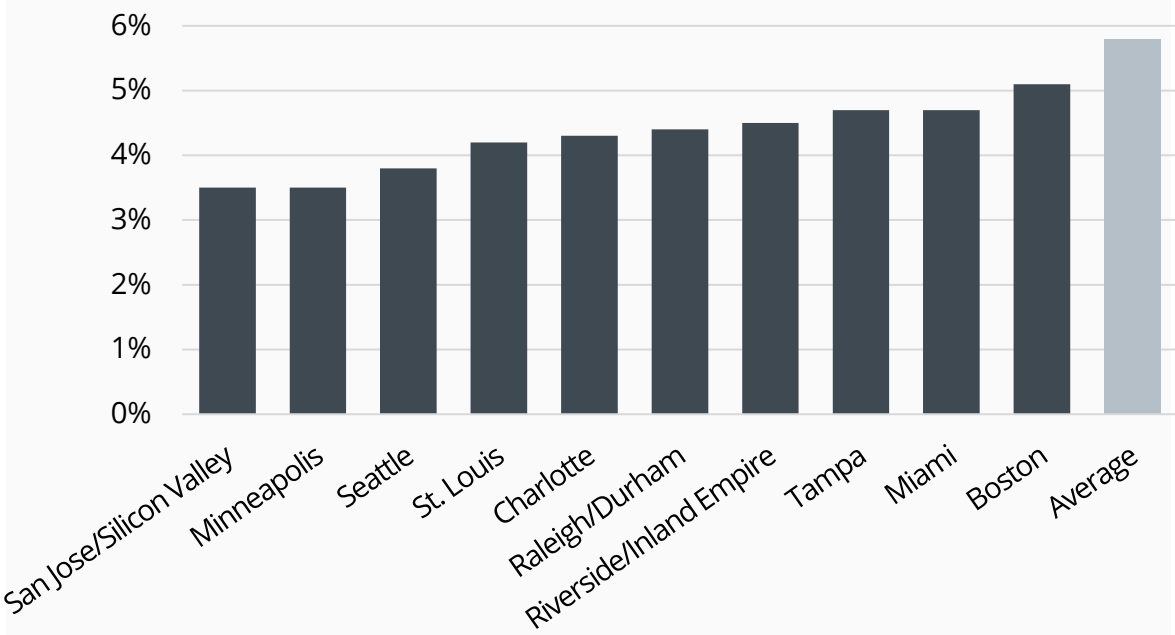
NET ABSORPTION

Net Absorption - Q2 2025



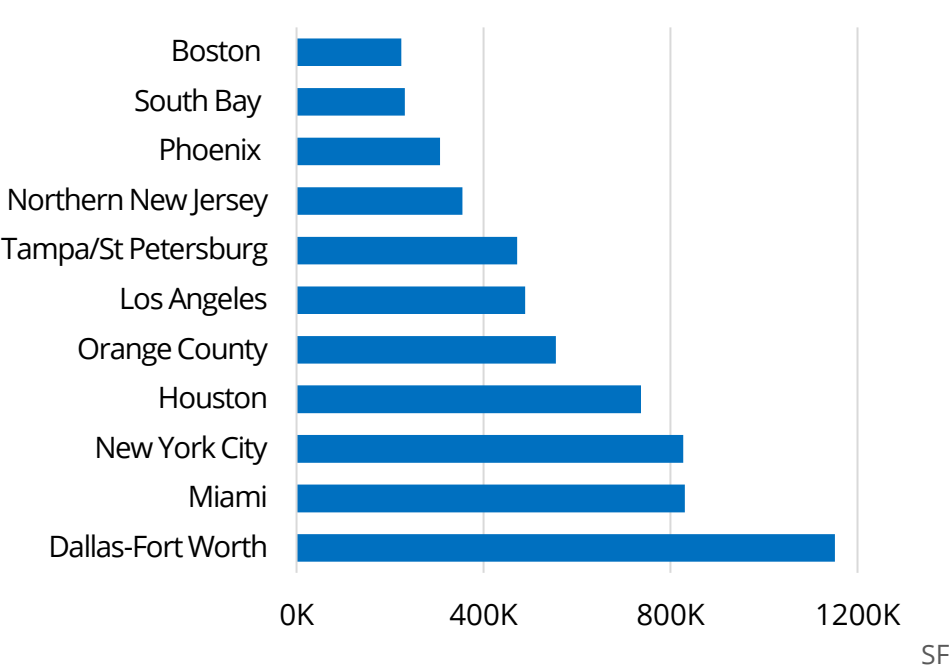
VACANCY/ASKING RENTS

Vacancy Rate - Q2 2025

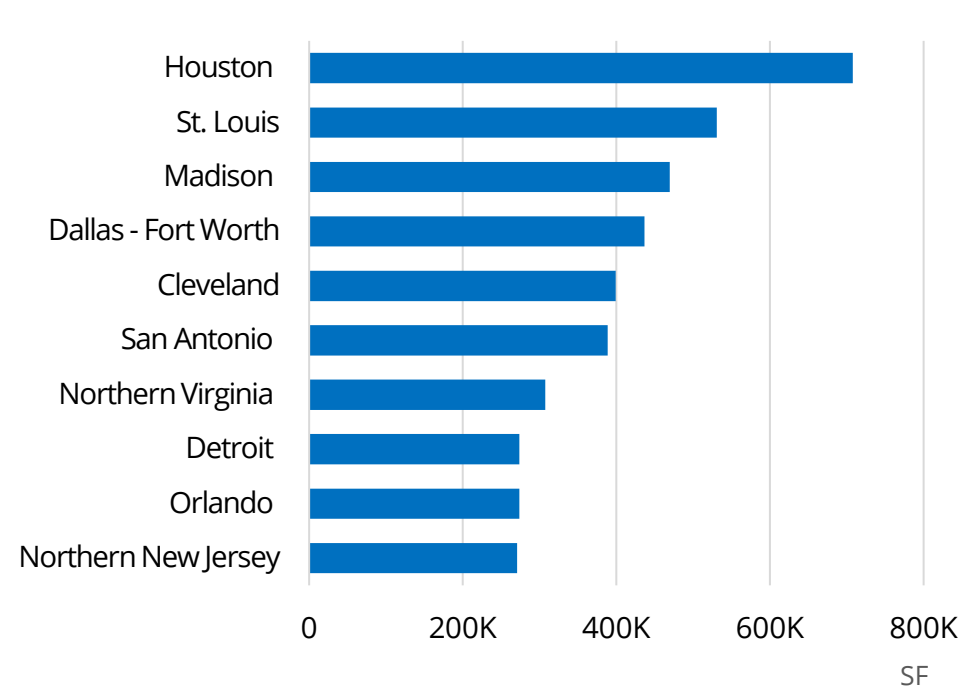


CONSTRUCTION

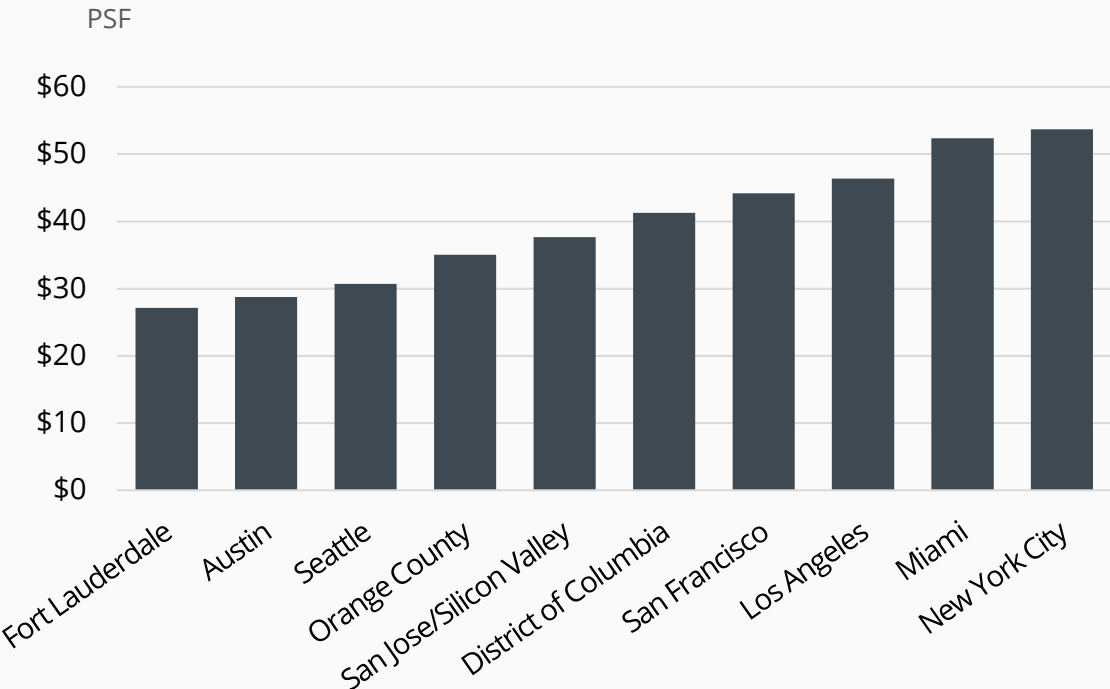
Total SF Under Construction - Q2 2025



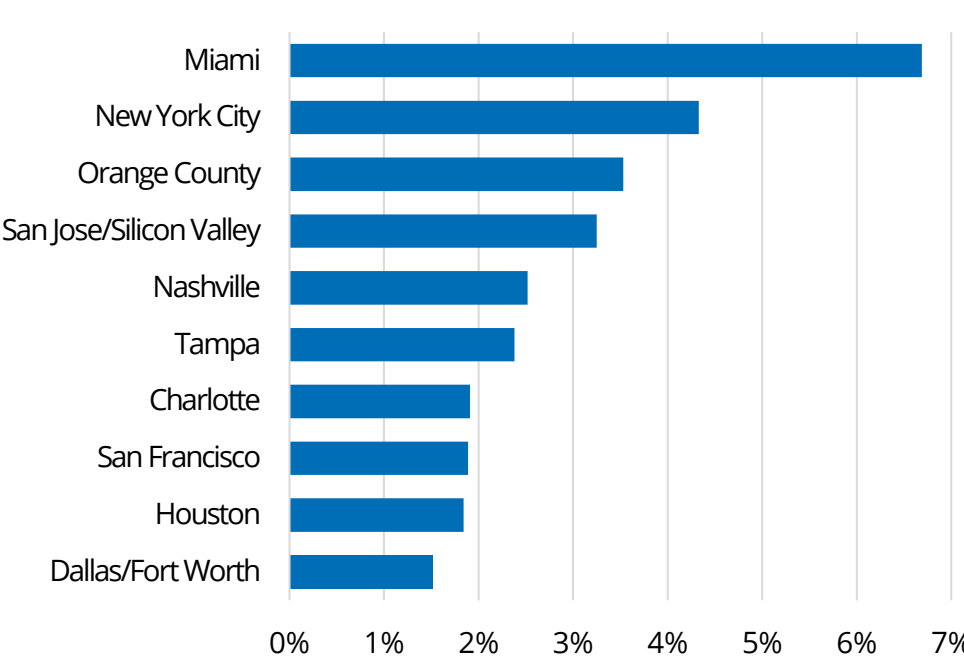
Trailing 12-Month Net Absorption



Net Asking Rents - Q4 2024

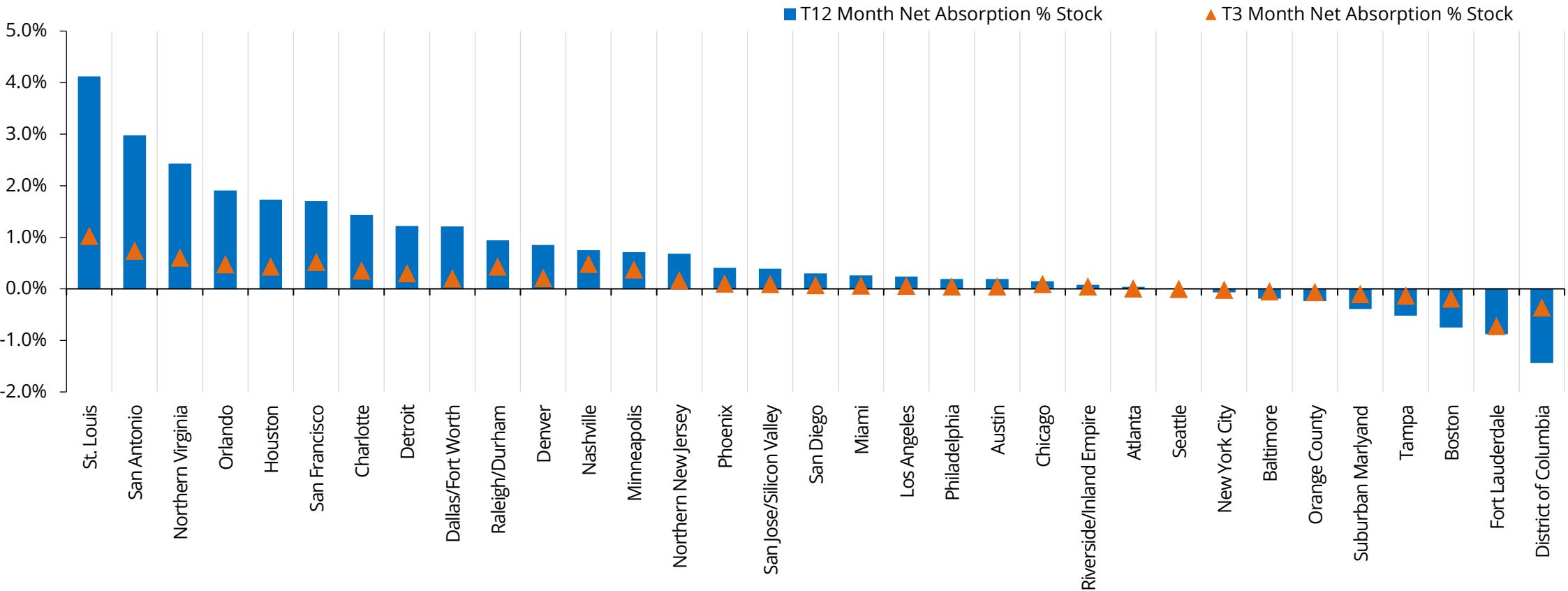


Construction As % of Stock - Q2 2025



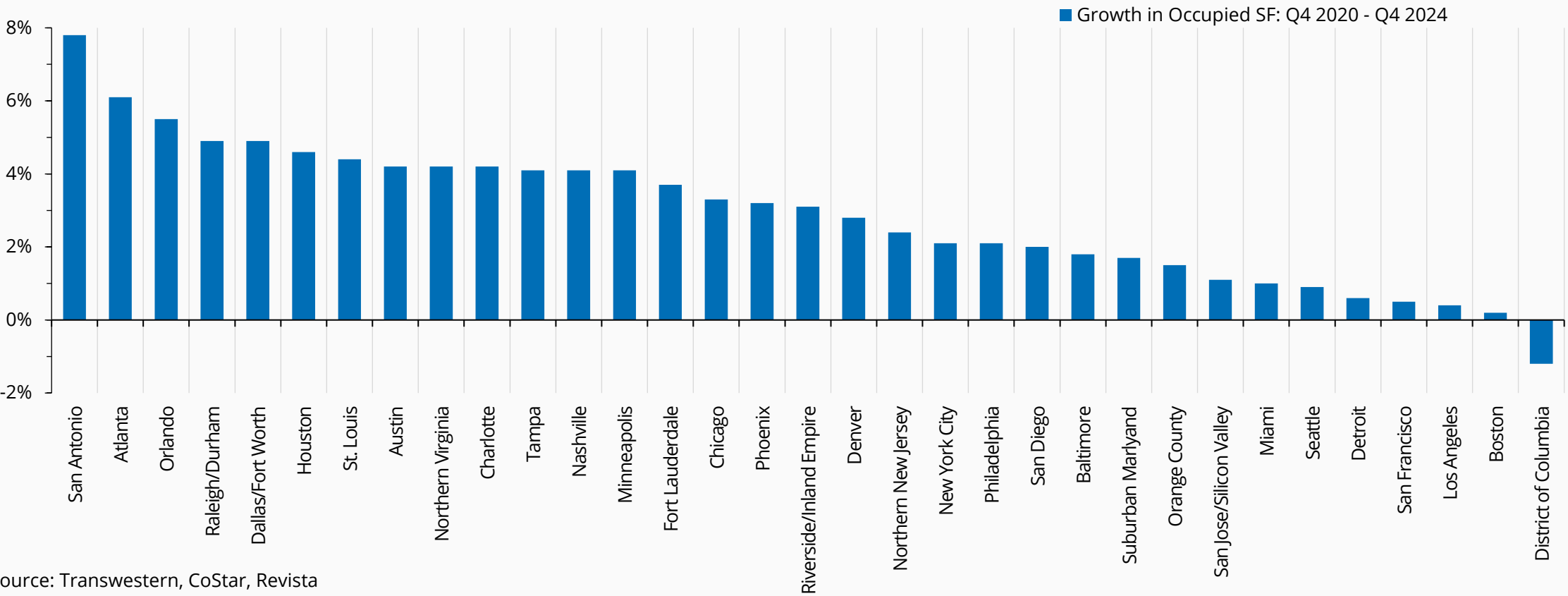


NET ABSORPTION % STOCK



- This graph shows net absorption as a percent of stock over both the last quarter and 12 months.
- Positive net absorption was reported in 22 of 35 markets over the past 12 months.
- Top markets for trailing 12-month net absorption that also saw positive net absorption for the quarter include, St. Louis, San Antonio, Northern Virginia and Orlando.

HOTTEST MARKETS FOR DEMAND

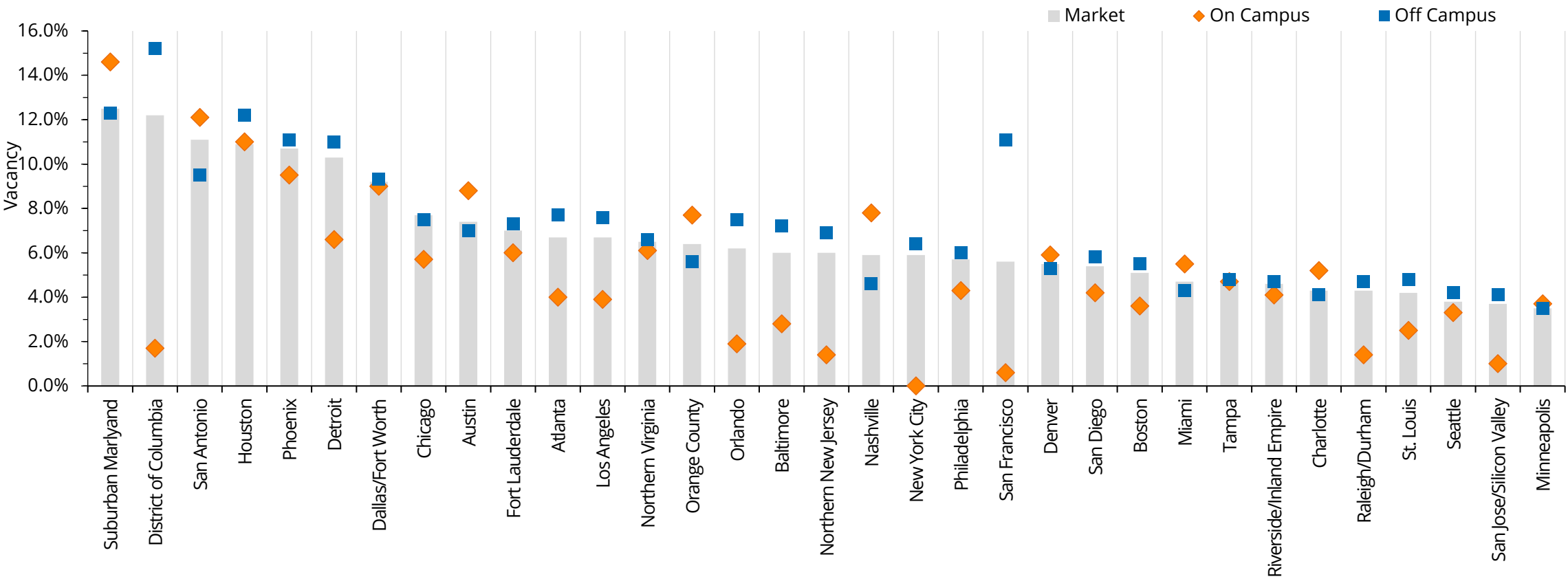


- This graph shows the growth of occupied space over the last four years.
- Sun Belt markets have experienced the hottest growth as systems and providers follow population trends and open new locations in rapidly growing areas.
- This southeastern growth can be attributed in part to the delivery of new inventory in markets with a strong leasing appetite.

Source: Transwestern, CoStar, Revista

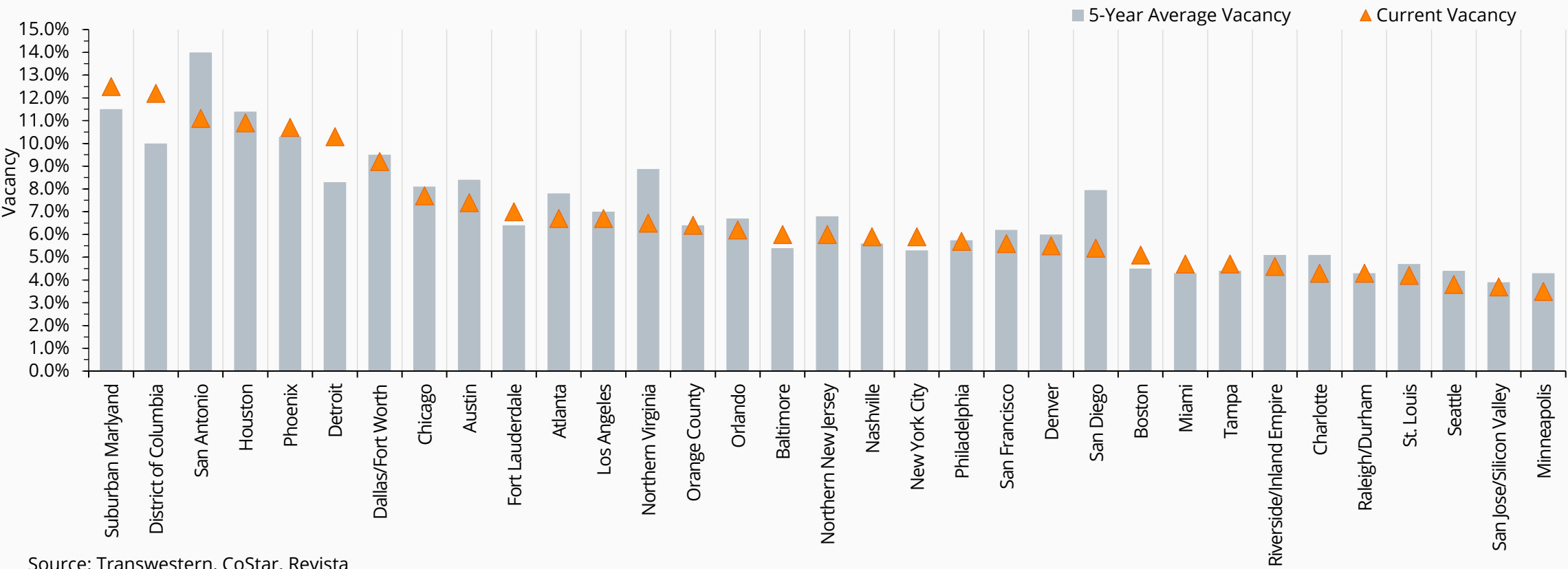
\*Charts display select markets

VACANCY BY LOCATION



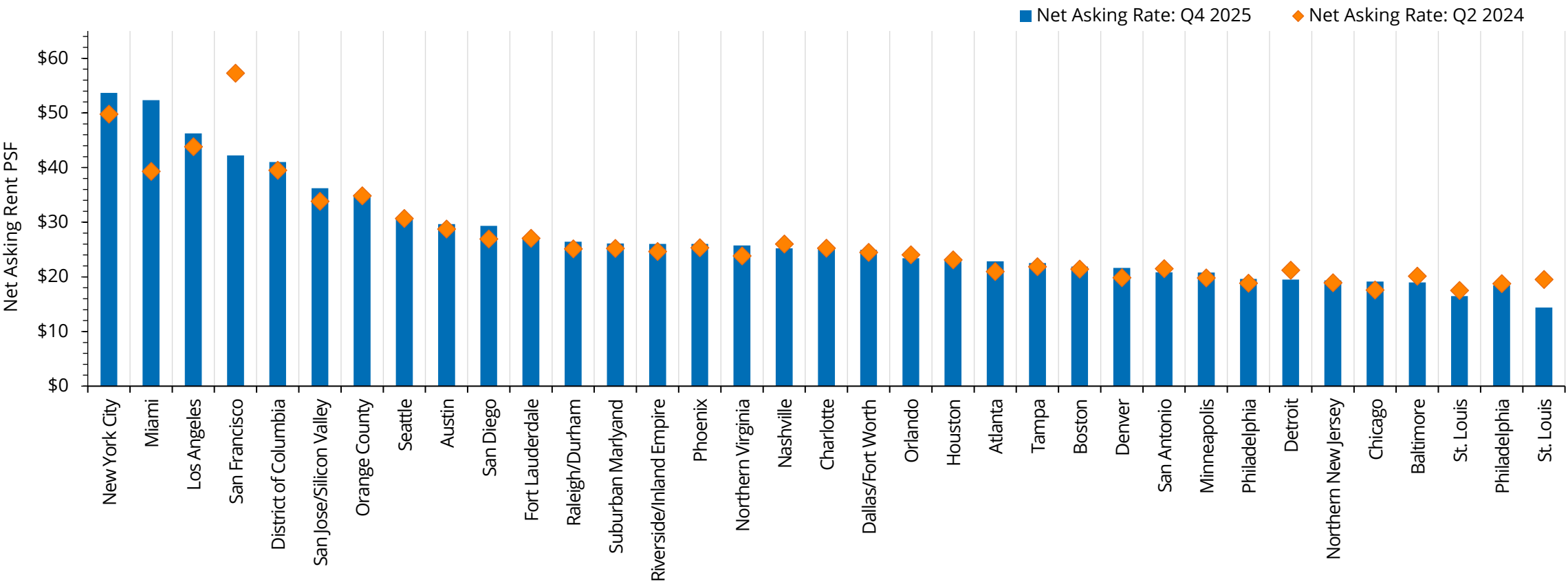
- This graph shows vacancy for each market and the spread between on campus and off campus properties.
- Vacancy in on campus properties is generally lower than market averages, reflecting the dominance of healthcare systems in these spaces.
- Markets where on campus vacancies exceed market averages often reflect new buildings in lease-up.

CURRENT VACANCY VS HISTORICAL NORM



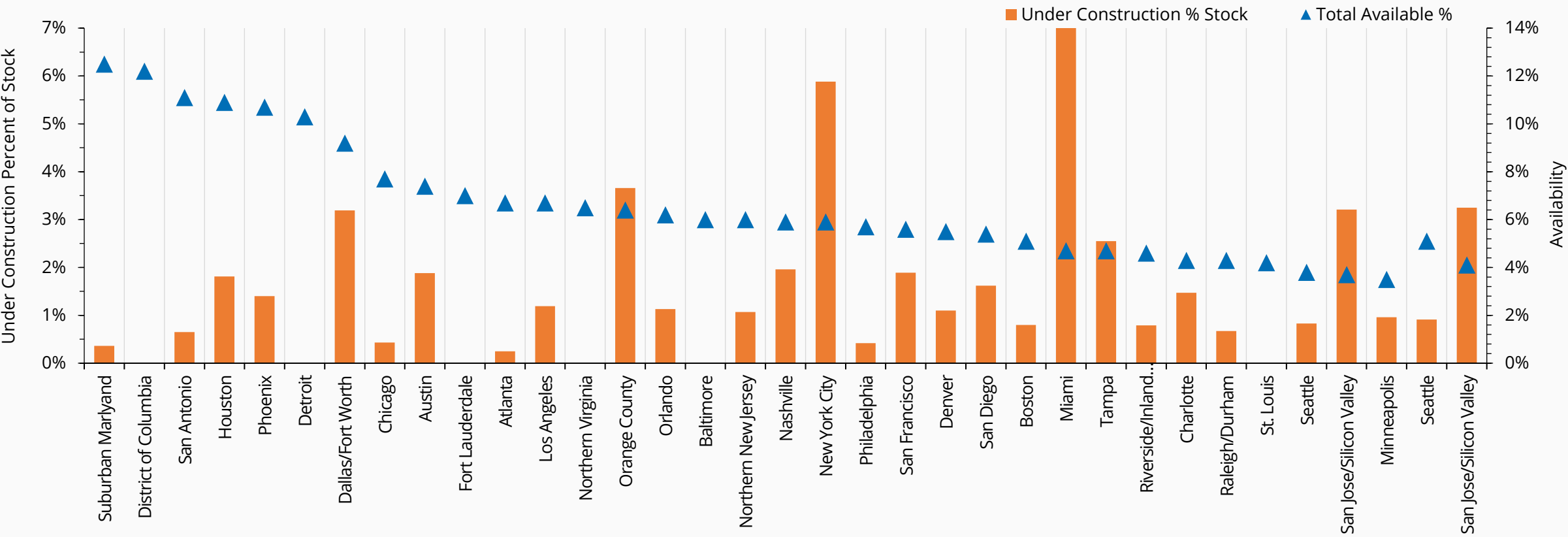
- This graph indicates the relative scarcity of space in each market, comparing the current vacancy rate to the five-year average.
- Vacancy sits below the five-year average in 19 of 35 markets.
- Currently San Antonio, San Diego and Northern Virginia have the lowest vacancy rates relative to their five-year averages.
- Detroit, Suburban Maryland, and the District of Columbia sit the furthest above their five-year averages. These three markets also have the highest current vacancy rates overall.

RENTAL RATES\*



- National NNN rents have remained relatively flat over the past four years, with a 0.2% decline in average asking rents in 2024. The first half of 2025 showed a continuing trend of stable rents, with a growth of 0.1%.
- New product has been able to push rates higher, with +1.7% YoY among properties built in the last three years.
- Overall, 15 of 35 markets saw rental rate growth in the first half of 2025.
- The markets with the largest YoY rent growth are New York, Los Angeles, San Jose and San Diego.
- San Francisco experienced the largest decline in YoY asking rents.

CONSTRUCTION AND AVAILABILITY



- Under construction percent of stock is indicative of future market expansion. Combined with availability percent of stock, it can be a potential determinate of softening or tightening vacancy within a market.
- 88.1% of space currently under construction is pre-leased. Future deliveries will boost absorption but do little to alleviate vacancy rates in tight markets.
- Miami, New York City, and Orange County continue to lead the way as markets with a high percentage of space under construction.

\*Rents may display unusual growth or decline due to small sample size.



Market	Inventory SF	Direct Vacancy Rate	On Campus	Off Campus	Net Absorption	12-Month Net Absorption	NNN Asking Rent*	Prior Year Asking Rent	Under Construction
Atlanta	32,205,455	6.7%	4.0%	7.7%	11,452	13,794	\$22.38	\$20.94	80,000
Austin	10,603,885	7.4%	8.8%	7.0%	-15,892	20,267	\$29.65	\$28.74	196,128
Baltimore	13,605,411	6.0%	2.8%	7.2%	-7,701	-26,612	\$19.56	\$21.43	0
Boston	28,043,175	5.1%	3.6%	5.5%	-80,384	-211,750	\$21.88	\$22.39	224,000
Charlotte	15,616,249	4.3%	5.2%	4.1%	-33,950	223,431	\$25.10	\$26.59	230,700
Chicago	34,958,856	7.7%	5.7%	7.5%	34,683	52,136	\$19.13	\$17.56	114,450
Cincinnati	9,202,107	5.5%	5.4%	4.9%	-143,909	-143,879	\$17.82	\$16.74	176,507
Cleveland	15,059,572	4.3%	0.3%	6.0%	28,109	399,095	\$18.17	\$16.51	0
Columbus	11,849,955	4.6%	1.4%	3.8%	31,519	170,139	\$15.88	\$14.99	0
Dallas-Fort Worth	36,066,705	9.2%	9.0%	9.3%	138,585	436,755	\$24.49	\$24.53	1,151,560
Dayton	4,971,093	3.1%	0.8%	3.8%	11,199	43,458	\$13.76	\$12.98	0
Denver	19,731,360	5.5%	5.5%	5.3%	-8,944	168,790	\$21.63	\$19.85	0
Des Moines	3,253,116	2.7%	1.1%	3.5%	-32,261	39,229	\$18.82	\$18.19	
Detroit	24,128,235	10.3%	6.6%	11.0%	-13,962	294,041	\$19.33	\$18.51	32,485
District of Columbia	2,496,633	12.2%	1.7%	15.2%	-10,427	-36,297	\$41.00	\$41.00	0
East Bay/Oakland	10,159,451	5.8%	3.2%	6.7%	-6,338	-55,918	\$34.76	\$25.07	0
Fort Lauderdale	8,080,075	7.0%	6.0%	7.3%	-17,919	-71,322	\$27.12	\$24.73	0
Houston	40,768,035	10.9%	10.5%	12.2%	29,387	707,615	\$23.05	\$24.17	737,142
Indianapolis	13,176,303	5.4%	4.1%	6.0%	-10,286	32,083	\$17.91	\$15.06	248,000
Inland Empire	13,944,646	4.6%	4.1%	4.7%	41,110	-967	\$24.06	\$26.34	100,705
Jacksonville	7,719,505	7.7%	4.9%	9.8%	-74,903	84,093	\$22.07	\$22.36	303,000
Kansas City	11,374,589	7.5%	8.2%	7.1%	5,150	137,601	\$22.61	\$21.70	71,000
Las Vegas	9,990,565	7.5%	9.5%	6.3%	31,317	132,237	\$22.62	\$21.87	144,360
Long Island	12,937,891	5.4%	1.4%	6.2%	51,012	116,195	\$31.69	\$29.95	85,000
Los Angeles	41,236,432	6.7%	3.9%	7.6%	27,486	108,519	\$46.62	\$43.79	489,000
Miami	11,688,450	4.7%	5.5%	4.3%	-49,431	-34,685	\$52.33	\$39.30	830,600
Milwaukee	9,837,095	5.0%	5.5%	2.9%	-8,595	24,785	\$16.21	\$15.25	0
Minneapolis/St Paul	16,893,704	3.5%	3.7%	3.5%	134,062	120,527	\$20.81	\$19.78	163,370
Nashville	11,744,873	5.9%	7.8%	4.6%	17,897	88,845	\$25.24	\$25.95	230,000

\*Rents represent a weighted average of available space. Tight market conditions may lead to unusual growth or decline due to small sample sizes. Sources: Transwestern, CoStar

Market	Inventory SF	Direct Vacancy Rate	On Campus	Off Campus	Net Absorption	12-Month Net Absorption	NNN Asking Rent*	Prior Year Asking Rent	Under Construction
New Orleans/Metairie/Kenner	5,343,485	2.4%	2.1%	2.6%	-10,397	-11,165	\$20.33	\$15.80	126,000
New York City	14,082,105	5.9%	0.0%	6.4%	-18,454	-11,949	\$53.67	\$51.35	827,328
Northern New Jersey	33,291,710	6.0%	1.4%	6.9%	200,202	226,850	\$19.33	\$19.22	355,000
Northern Virginia	15,046,693	6.5%	6.1%	6.5%	166,941	356,344	\$25.75	\$24.29	0
Oklahoma City	8,069,591	7.1%	4.7%	8.7%	-20,419	-4,704	\$19.39	\$18.68	0
Orange County (California)	15,706,205	6.4%	7.7%	5.6%	-18,331	-38,418	\$35.05	\$31.78	555,000
Orlando	13,268,696	6.2%	1.9%	7.5%	109,216	253,285	\$23.41	\$24.96	156,568
Palm Beach	8,178,388	5.8%	5.8%	6.0%	-94,103	-59,221	\$27.48	\$25.59	190,000
Philadelphia	41,660,859	5.7%	4.3%	6.0%	-135,905	-81,836	\$19.60	\$18.79	172,990
Phoenix	22,152,323	10.7%	9.5%	11.0%	155,379	91,712	\$26.03	\$25.12	307,250
Pittsburgh	10,039,769	6.1%	1.6%	7.0%	14,946	88,400	\$18.26	\$18.99	0
Portland	12,226,437	4.1%	1.8%	5.5%	-57,483	-133,103	\$31.05	\$29.75	0
Raleigh/Durham	11,182,416	4.3%	1.4%	4.7%	-10,301	105,847	\$26.45	\$26.16	24,900
Salt Lake City	10,930,697	3.1%	2.1%	3.5%	650	-43,466	\$21.74	\$20.35	32,000
San Antonio	13,039,882	11.1%	1.9%	9.5%	25,559	388,659	\$20.85	\$22.92	100,000
San Diego	13,928,988	5.4%	4.2%	5.8%	52,557	42,870	\$29.35	\$26.93	225,000
San Francisco	7,567,411	5.6%	0.6%	11.1%	22,524	129,270	\$42.21	\$60.66	143,100
Seattle/Puget Sound	18,174,935	3.8%	3.3%	4.2%	79,530	28,728	\$30.69	\$29.21	165,000
South Bay/San Jose	7,170,000	3.7%	1.8%	4.1%	-15,209	-2,787	\$36.21	\$33.76	231,579
South Bend/Mishawaka	3,079,710	7.1%	6.1%	7.5%	39,086	-7,418	\$14.18	\$13.88	0
St. Louis	12,877,274	4.2%	2.5%	4.8%	3,810	530,628	\$15.89	\$21.57	0
Suburban Maryland	13,808,772	12.5%	14.6%	12.3%	-3,196	-54,848	\$26.10	\$27.06	0
Tampa/St Petersburg	18,854,434	4.7%	4.7%	4.8%	-57,350	-98,979	\$22.53	\$22.22	472,000
Tulsa	5,976,061	0.9%	0.5%	1.7%	3,278	13,333	\$12.72	\$11.43	0
U.S. Total	1,232,685,769	5.8%	4.5%	6.4%	1,069,649	7,413,200	\$22.64	\$22.28	11,131,509

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ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at [transwestern.com](https://transwestern.com) and [@Transwestern](https://twitter.com/Transwestern).

RESEARCH METHODOLOGY

The information in this report is a compilation of medical office and outpatient healthcare properties 10,000 SF and larger located in select U.S. metropolitan areas. Government-owned, life sciences, and standard office buildings are excluded from analysis. Unless otherwise specified, “Vacancy” refers to direct vacancy with immediate availability and “Rents” refer to Triple Net asking rents.