



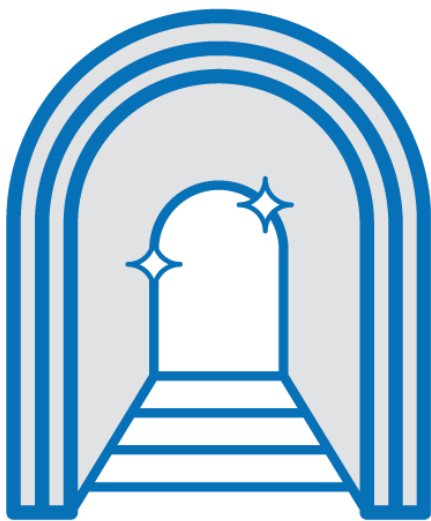
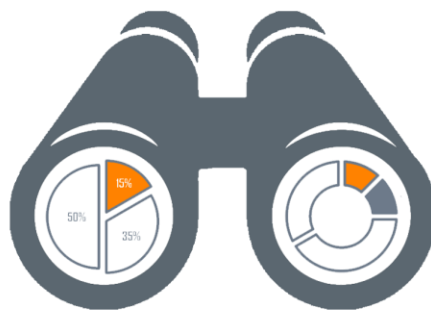
TRANSWESTERN

COMMERCIAL REAL ESTATE

U.S. MARKET | HEALTHCARE / MEDICAL OUTPATIENT (MOB)

Q3 2025

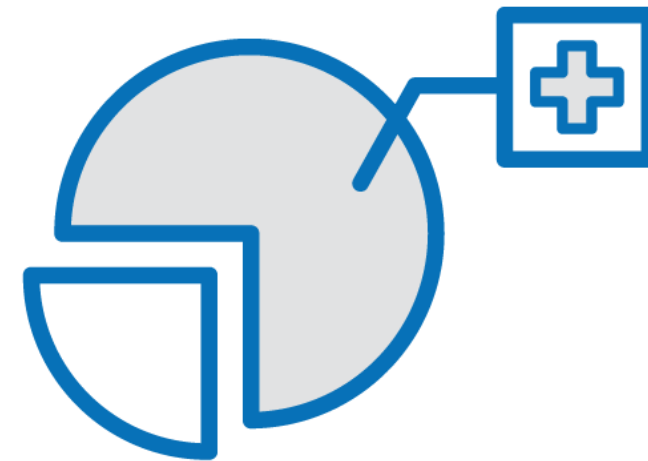
THE VIEW FROM HERE



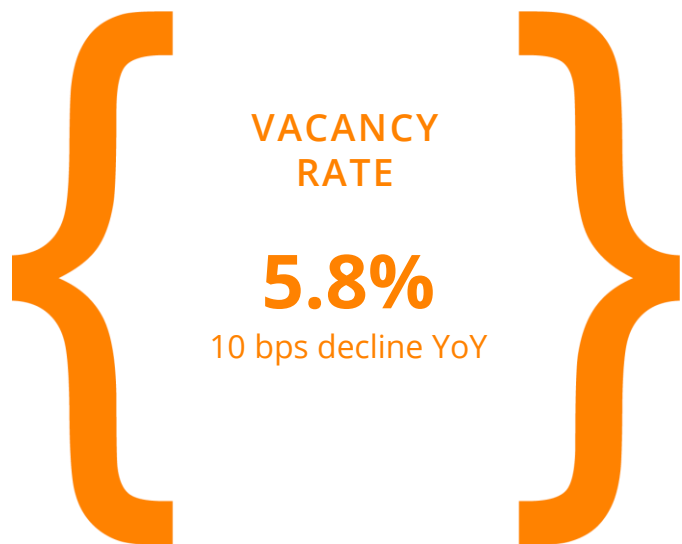
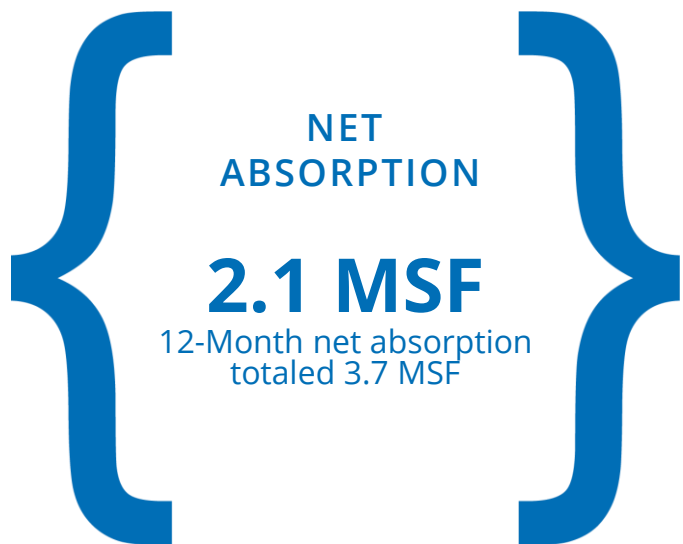
Vacancy remained flat but net absorption doubled, suggesting a light at the end of the tunnel for fundamentals.



National healthcare cuts may begin to squeeze industry stakeholders' bottom line, hindering future growth.



The top 50 MOB healthcare owners continue to increase their market share.



ECONOMIC HIGHLIGHTS

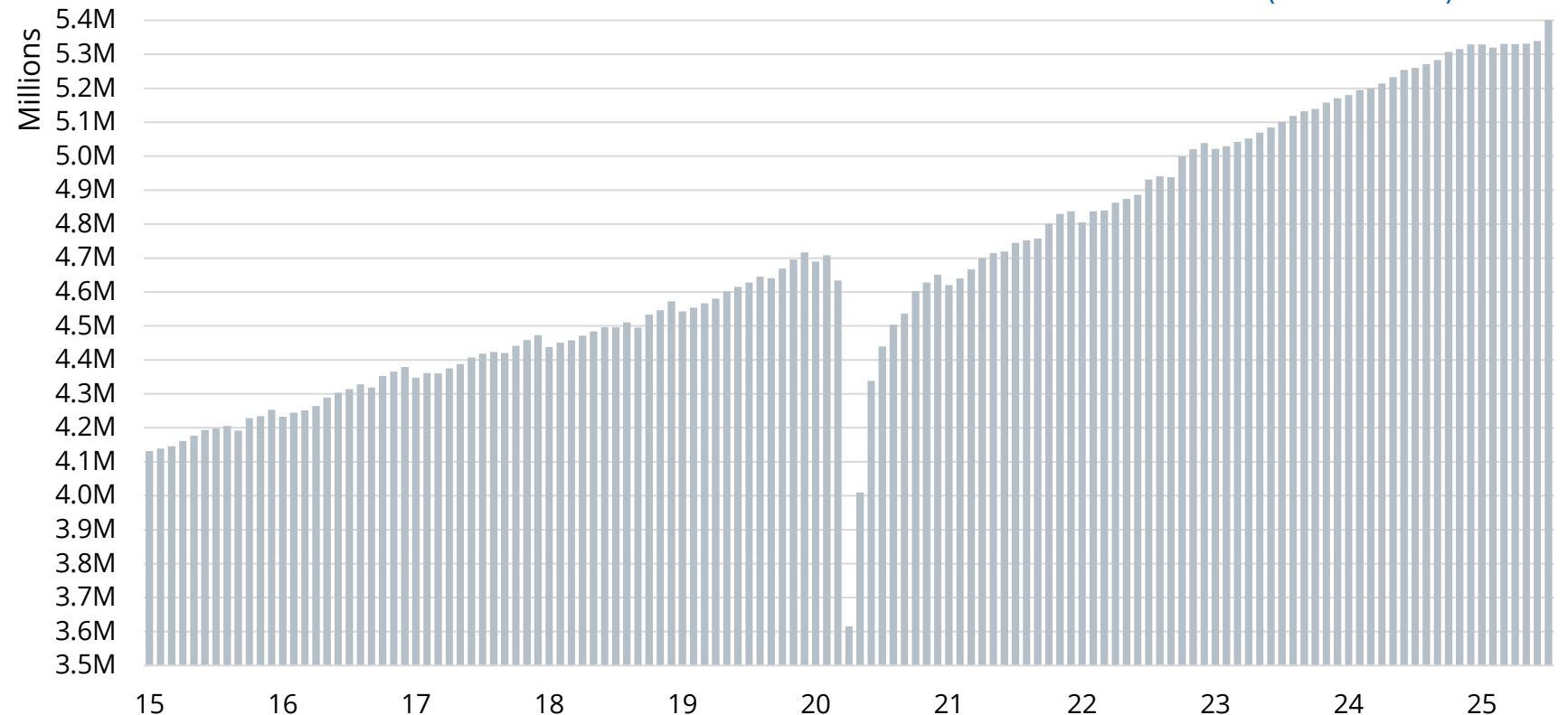
- After starting to decrease rates in late 2024, the Federal Reserve began to lower the federal funds rate in Q3 2025. The 25-basis point cut signals the easing cycle has restarted.
- The U.S. GDP grew 3.8% in Q2 2025, after contracting 0.6% in Q1. Below-trend GDP in 2025 is expected before rebounding in 2026 as one-time tariff impacts sort through the economy in the near term, then fall out of the numbers. Delayed reporting due to the government shutdown will likely impact near-term indicator releases.
- The U.S. unemployment rate ticked slightly higher during the quarter at 4.3%, up 20 basis points. In August, the U.S. Bureau of Labor and Statistics cited positive employment growth totaling 131,000 jobs.
- Healthcare continues to be a leading sector for job growth. In August, this sector added 31,000 jobs, accounting for 23% share of total jobs added. Slightly below the 12-month average of +45,000 monthly gains. Job growth was led by ambulatory health care services +16,000 and +9,000 for hospitals.
- Through 2025, U.S. health care employment has expanded by over 250,000 jobs year-to-date. The total sector workforce has reached an estimated 23.45 million workers in August 2025.
- Medical office-using jobs (physicians, dentists, and ambulatory healthcare practitioners) are forecasted to grow by 4.0% in 2025. Mid-year employment reporting confirm on target trajectory to meet those forecasts.

HISTORICAL

U.S. UNEMPLOYMENT RATE (Percentage)



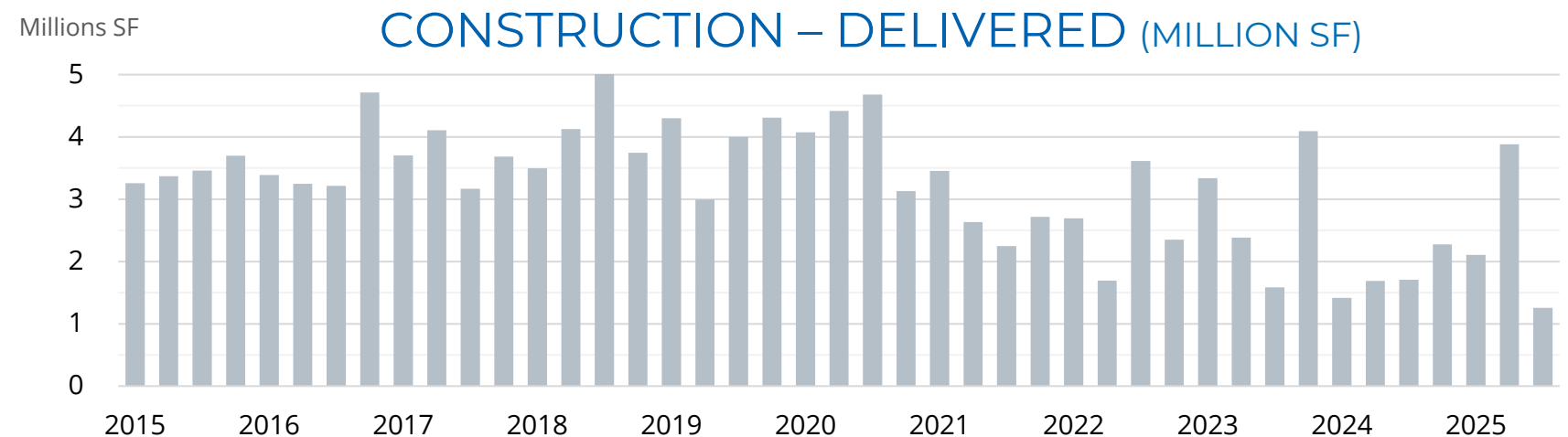
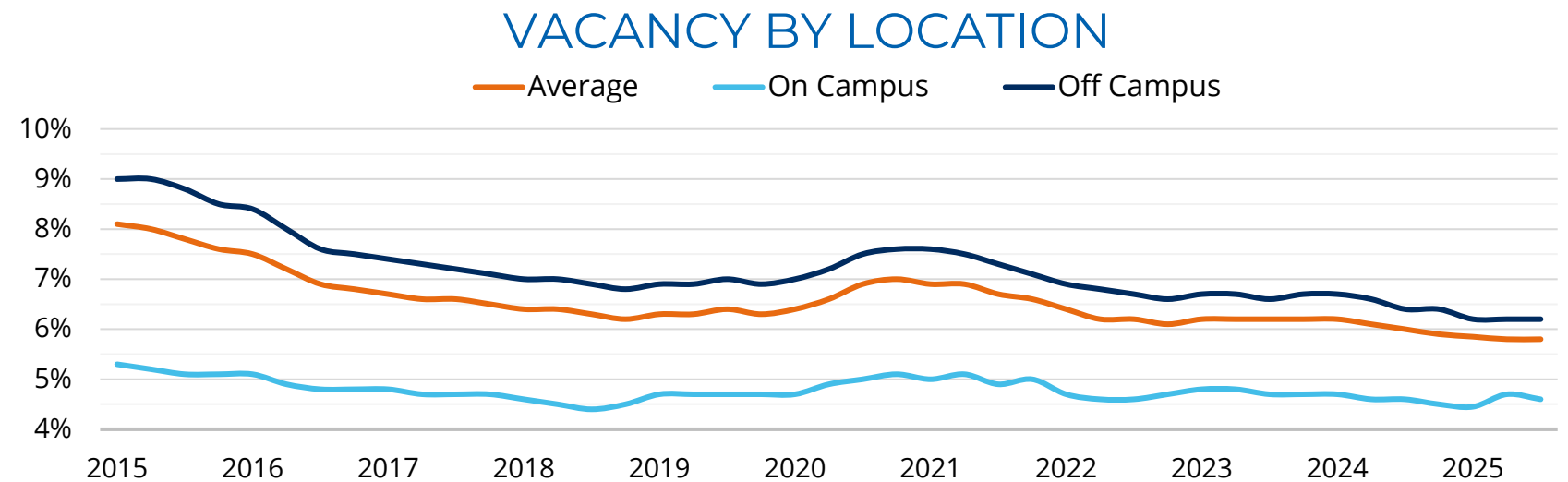
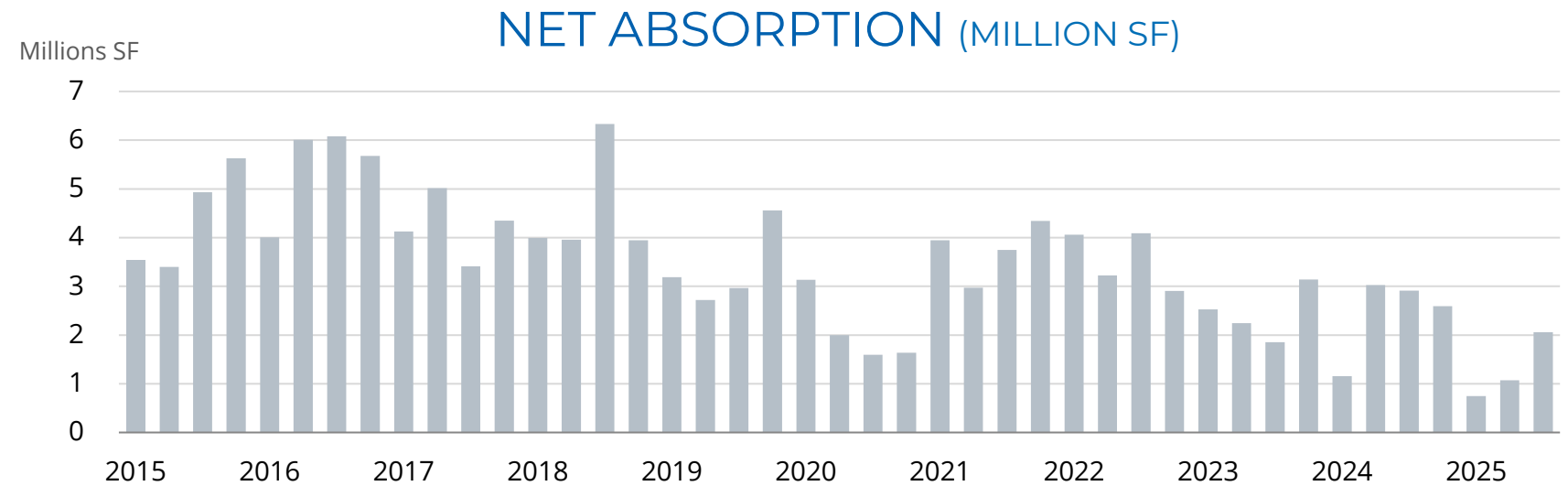
MEDICAL OUTPATIENT BUILDING-USING JOBS (MILLIONS)



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 grew in Q3 totaling 2.1 MSF, nearly double what was experienced in Q1. In total, 2025 YTD net absorption recorded 3.9 MSF.
- More than 75% of the markets tracked recorded a positive net absorption. Five markets recorded a net absorption of over 100,000 SF.
- The direct vacancy rate (combining both on and off-campus properties) remained unchanged, at 5.8%. Prior to Q3, the 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 16.7 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 Miami, Dallas and Los Angeles. In total, these three areas account for 15% of the construction pipeline.

HISTORICAL

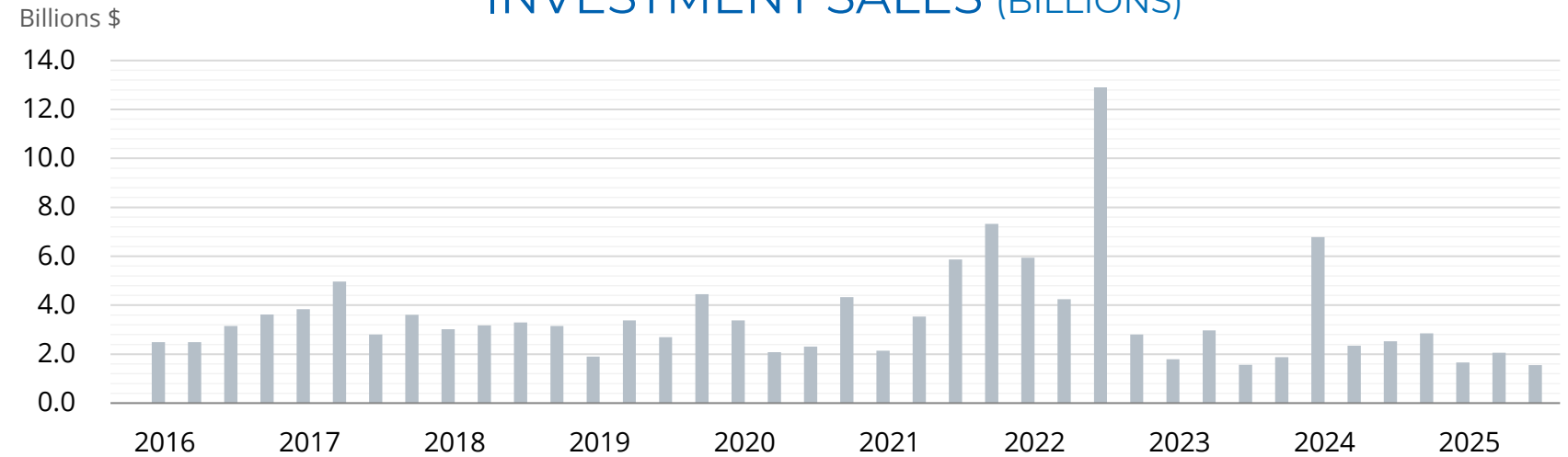


CAPITAL MARKETS

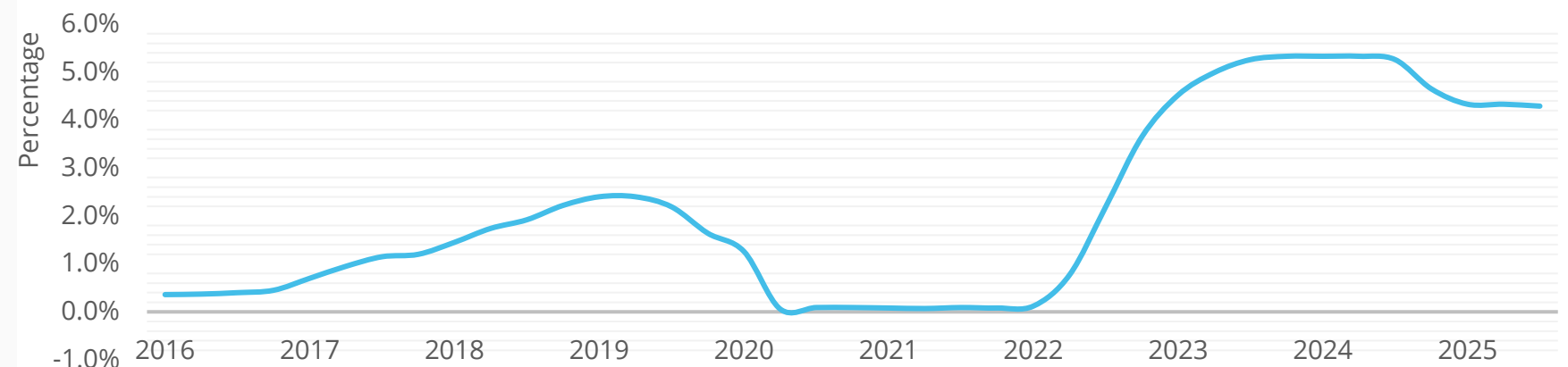
- Investment transactions in Q3 totaled \$1.6B, with over 151 transactions. Large transactions over \$10M represented 35% of the volume, over \$20M was 11%.
- The largest transaction of the quarter was the Victor Farris Building, 1411 N. Flagler Drive in West Palm Beach, Florida, selling for \$62M (\$405 PSF). The buyer, Tenet Healthcare was the operating hospital in the building, acquiring the property from Healthcare Realty Trust, a large national REIT.
- In 2025, the top 50 MOB owners account for \$537.8B worth of inventory, while in 2019 the market share was valued at \$419.1B.
- The September federal interest rate cut (-25 bps) offered additional fuel for the MOB sector, easing pressures on the cost of capital.
- The outlook for the MOB sector is poised for continued growth. Many factors have driven the MOB sector.
 - Healthcare employment growth continues to increase, signaling the need for more space.
 - The aging population base and the increasing healthcare needs for those individuals.
 - Private equity's increased capital investment signal the sector's ability to grow.
 - Expansion of more healthcare functions within outpatient settings

HISTORICAL

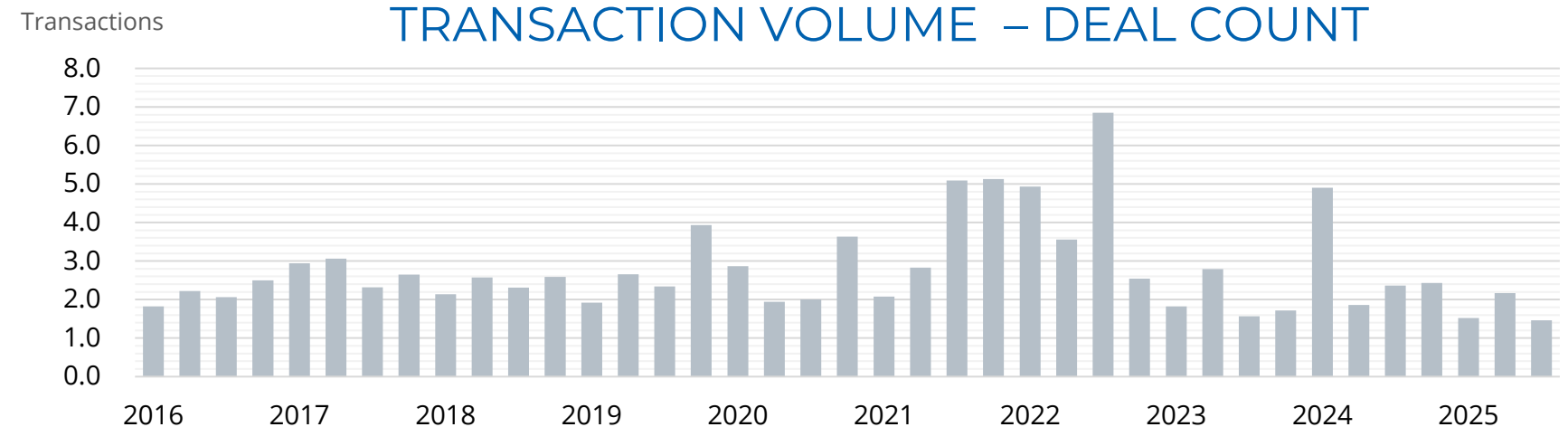
INVESTMENT SALES (BILLIONS)



FEDERAL INTEREST RATE



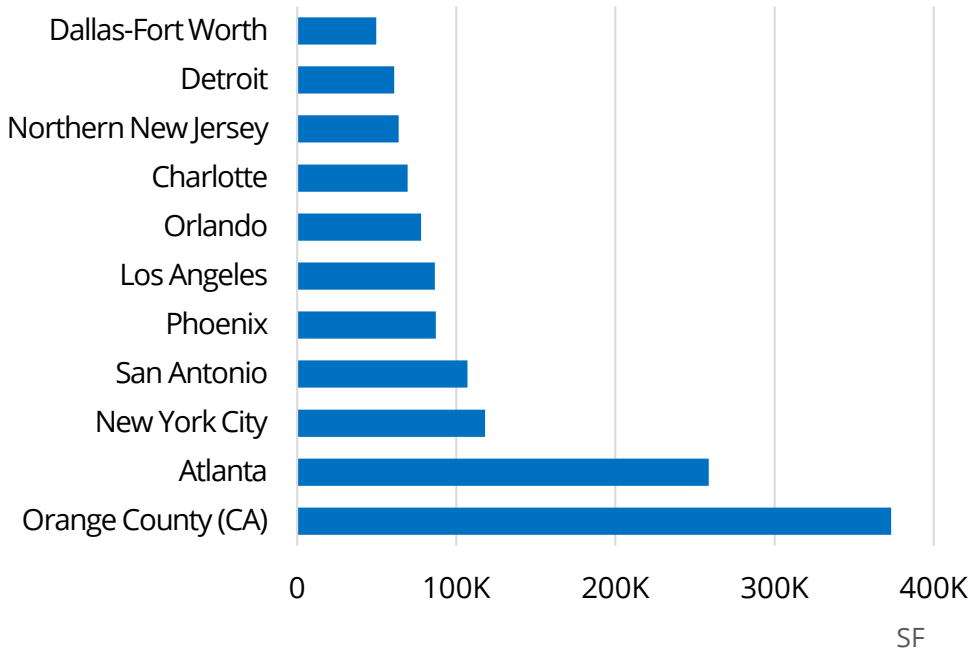
TRANSACTION VOLUME – DEAL COUNT



TOP-RANKED MARKETS BY INDICATORS

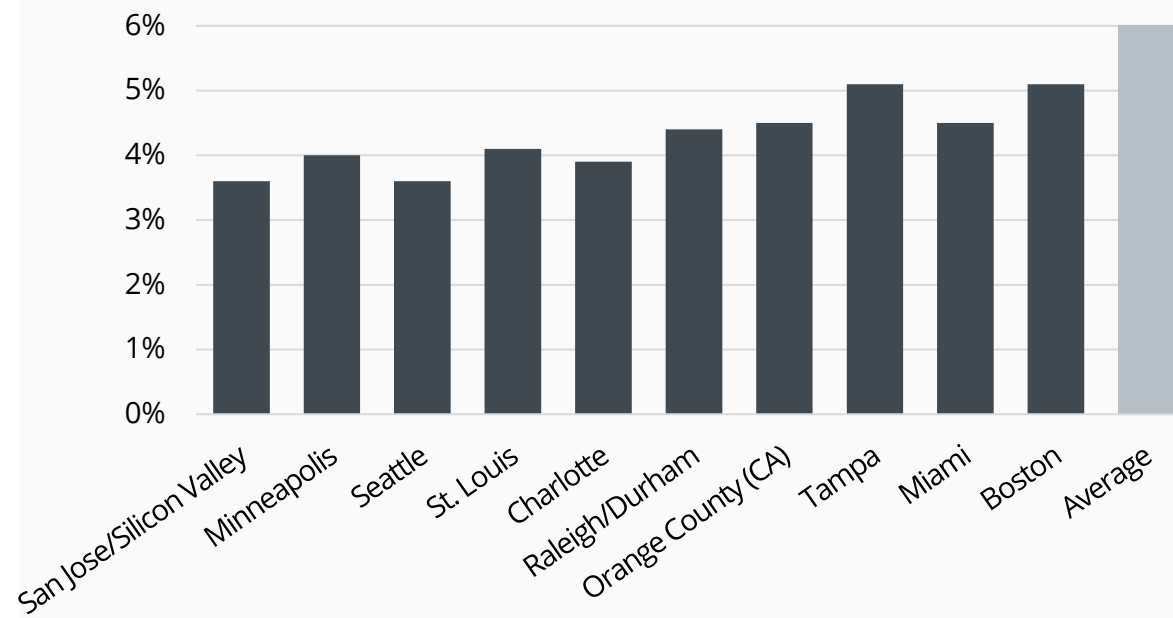
NET ABSORPTION

Net Absorption - Q3 2025



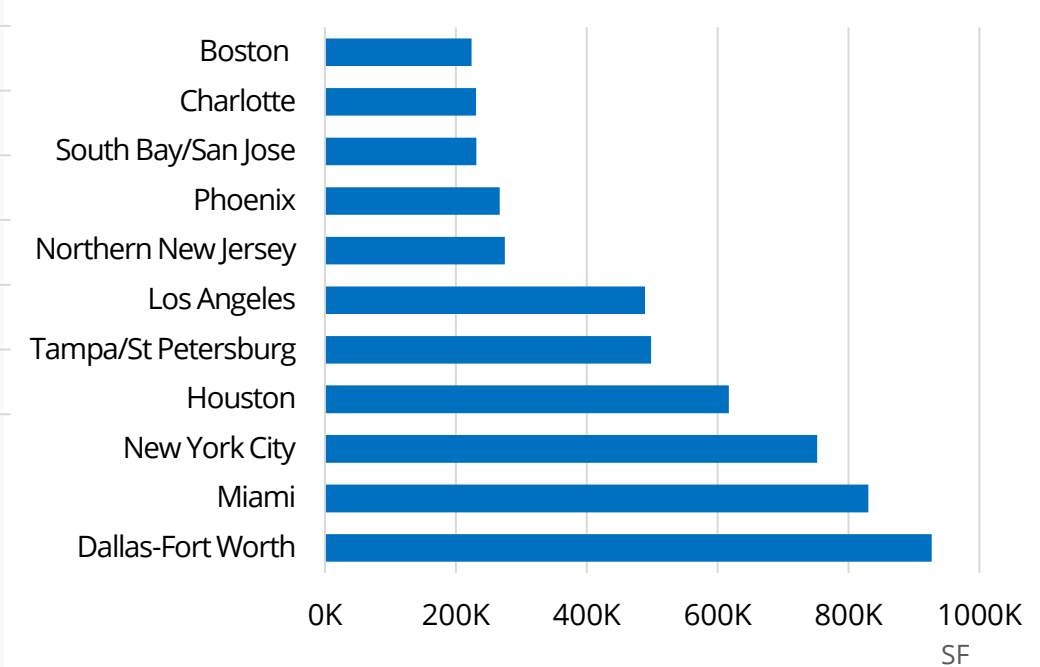
VACANCY/ASKING RENTS

Vacancy Rate - Q3 2025

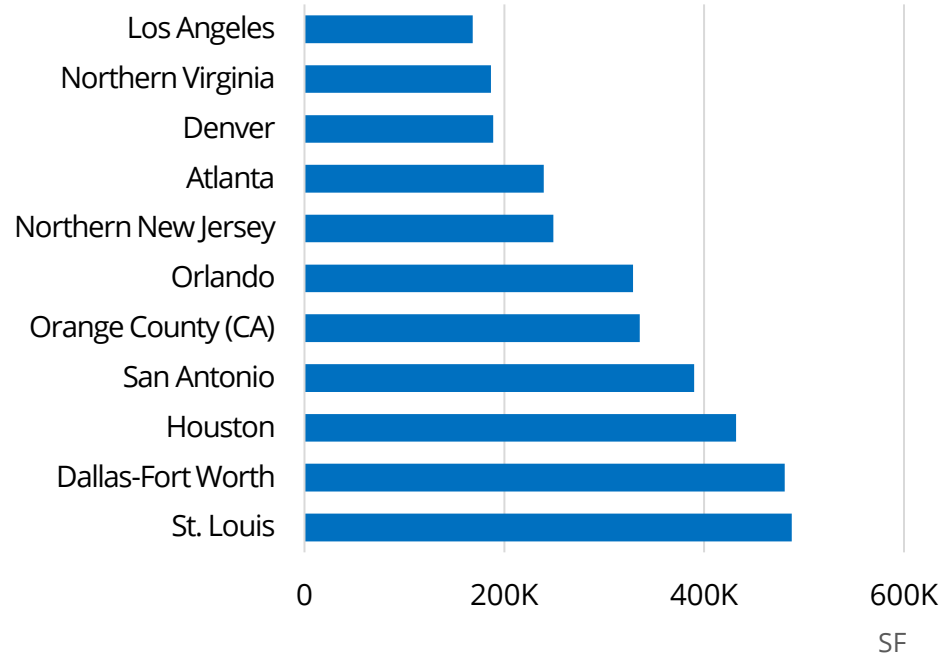


CONSTRUCTION

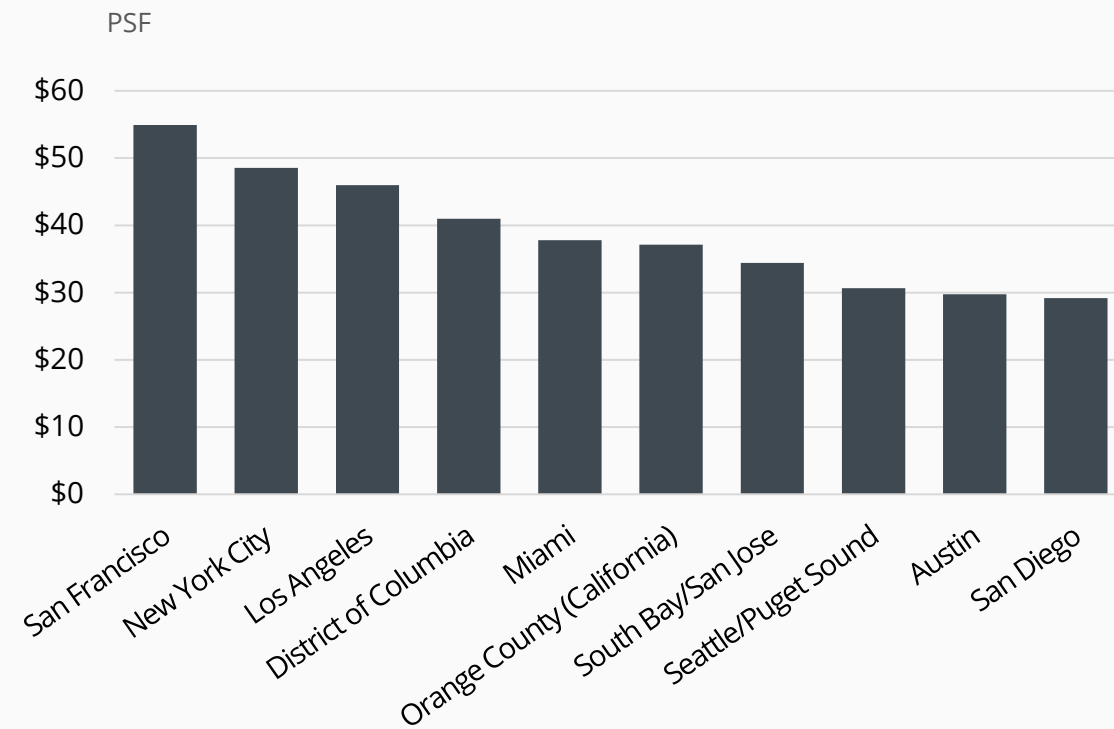
Total SF Under Construction - Q3 2025



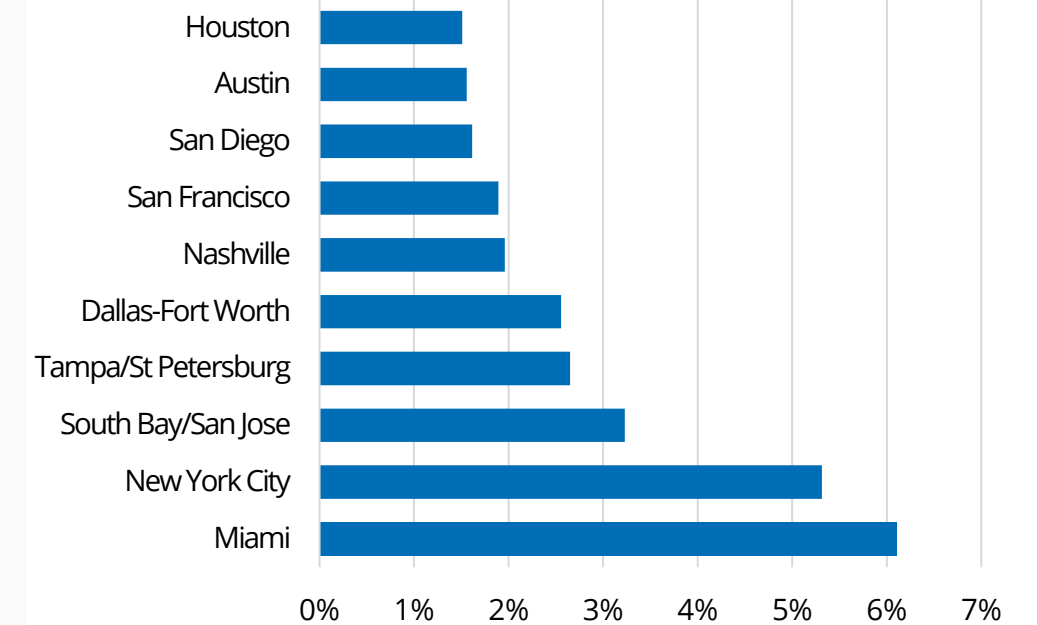
Trailing 12-Month Net Absorption



Net Asking Rents - Q3 2025

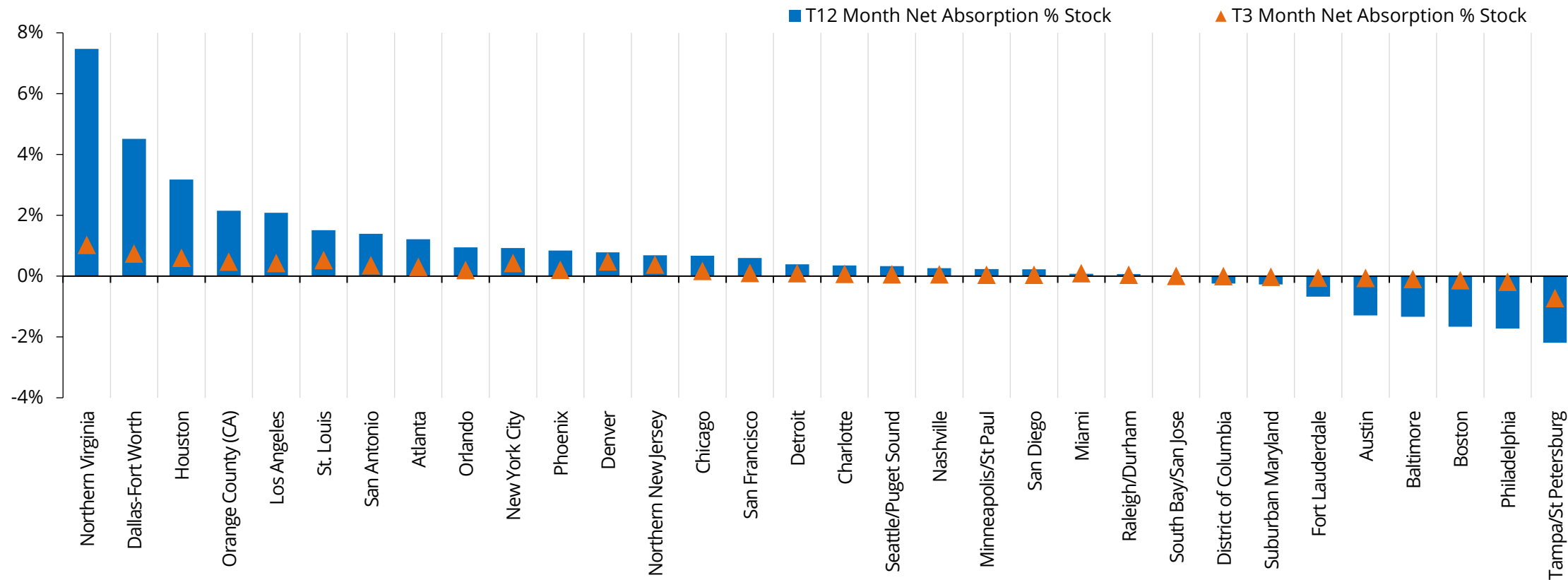


Construction As % of Stock - Q3 2025



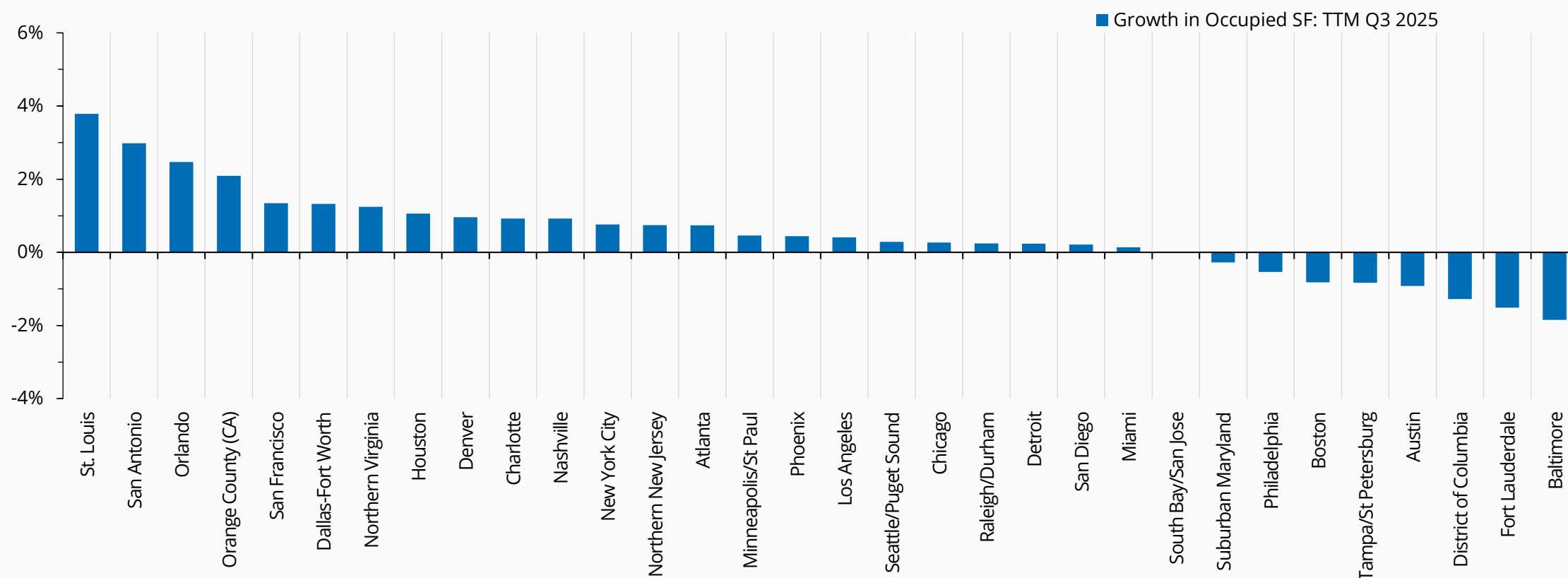
KEY PERFORMANCE INDICATORS*

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 24 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, Northern Virginia, Dallas, Houston and Orange County.

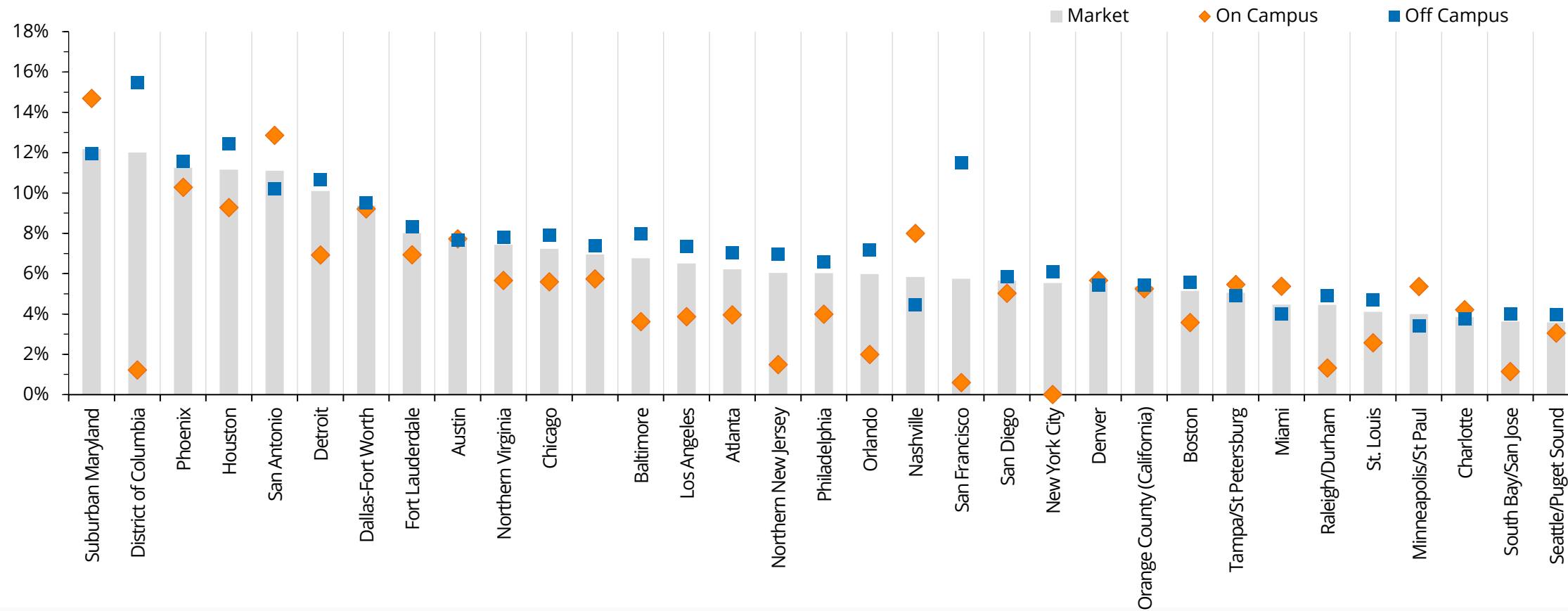
HOTTEST MARKETS FOR DEMAND



- 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.

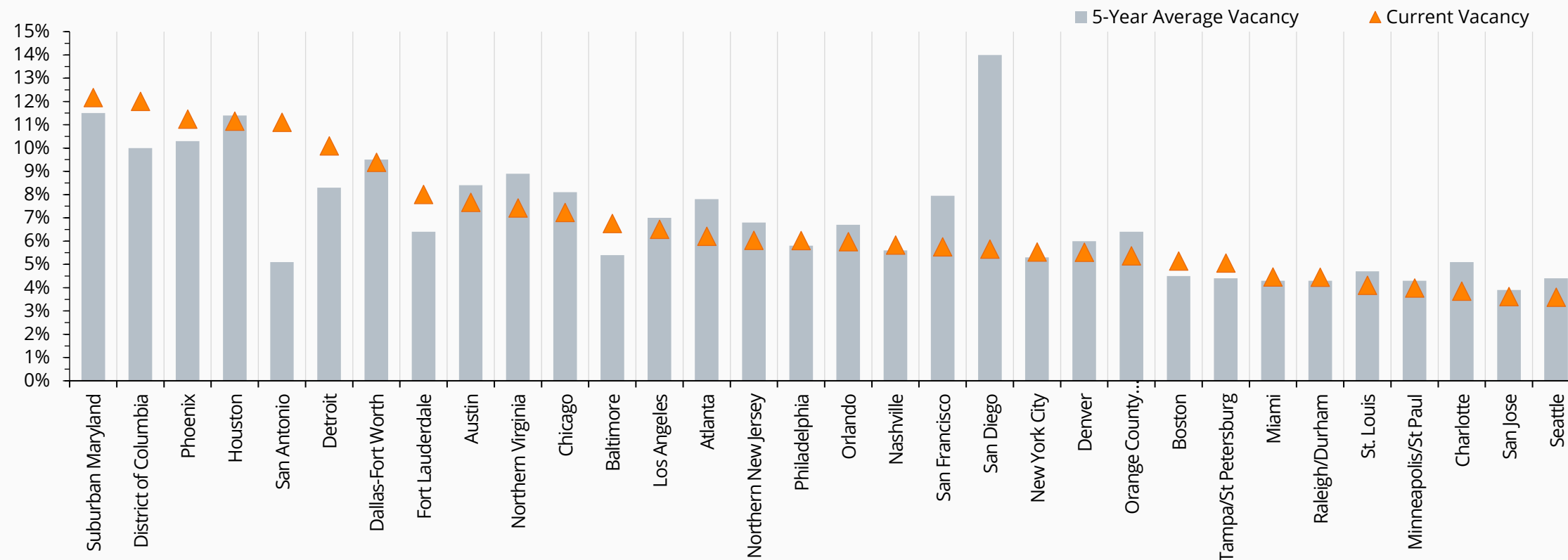
KEY PERFORMANCE INDICATORS

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.

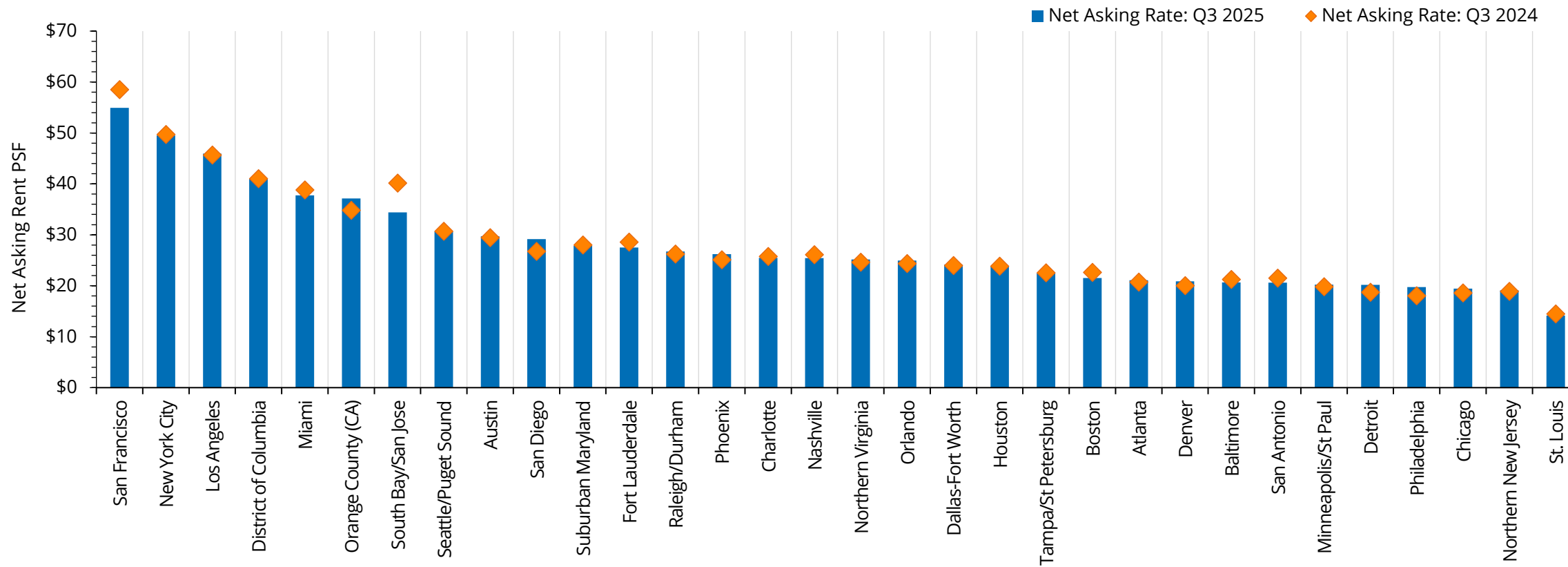
CURRENT VACANCY VS HISTORICAL NORM



- 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 16 of 35 markets.
- Currently San Diego, San Francisco and Atlanta have the lowest vacancy rates relative to their five-year averages.
- San Antino, District of Columbia and Detroit have the furthest above their five-year averages. These three markets also have some of the highest current vacancy rates overall.

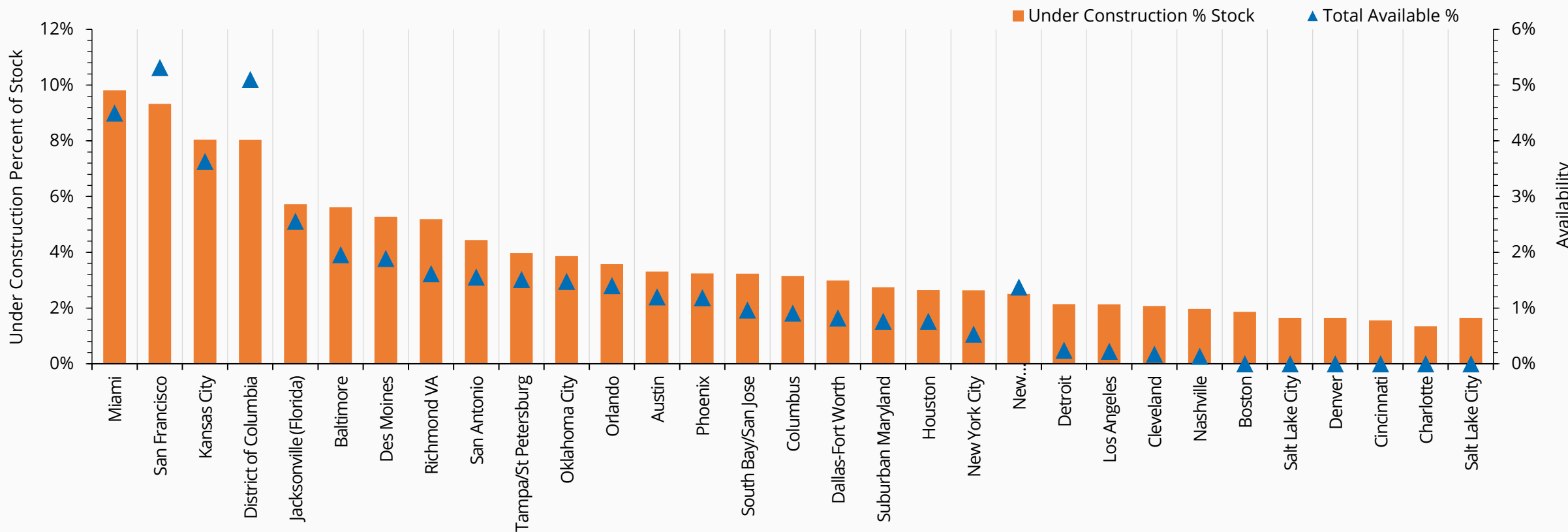
KEY PERFORMANCE INDICATORS

RENTAL RATES*



- National NNN rents have remained relatively flat over the past four years, with a 0.1% increase in average asking rents in 2025 YTD.
- New product has been able to push rates higher, with +1.6% YoY among properties built in the last three years.
- Overall, 17 of 35 markets saw rental rate growth in 2025.
- The markets with the largest YoY rent growth are Orange County (CA) and San Diego.
- San Francisco experienced the largest decline in YoY for the second consecutive quarter.

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.
- 88.5% of space currently under construction is pre-leased. Future deliveries will boost absorption but do little to alleviate vacancy rates in tight markets.
- Miami, San Francisco and Kansas City 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. Source: Revista, TW Research & Costar

MARKET SUMMARIES

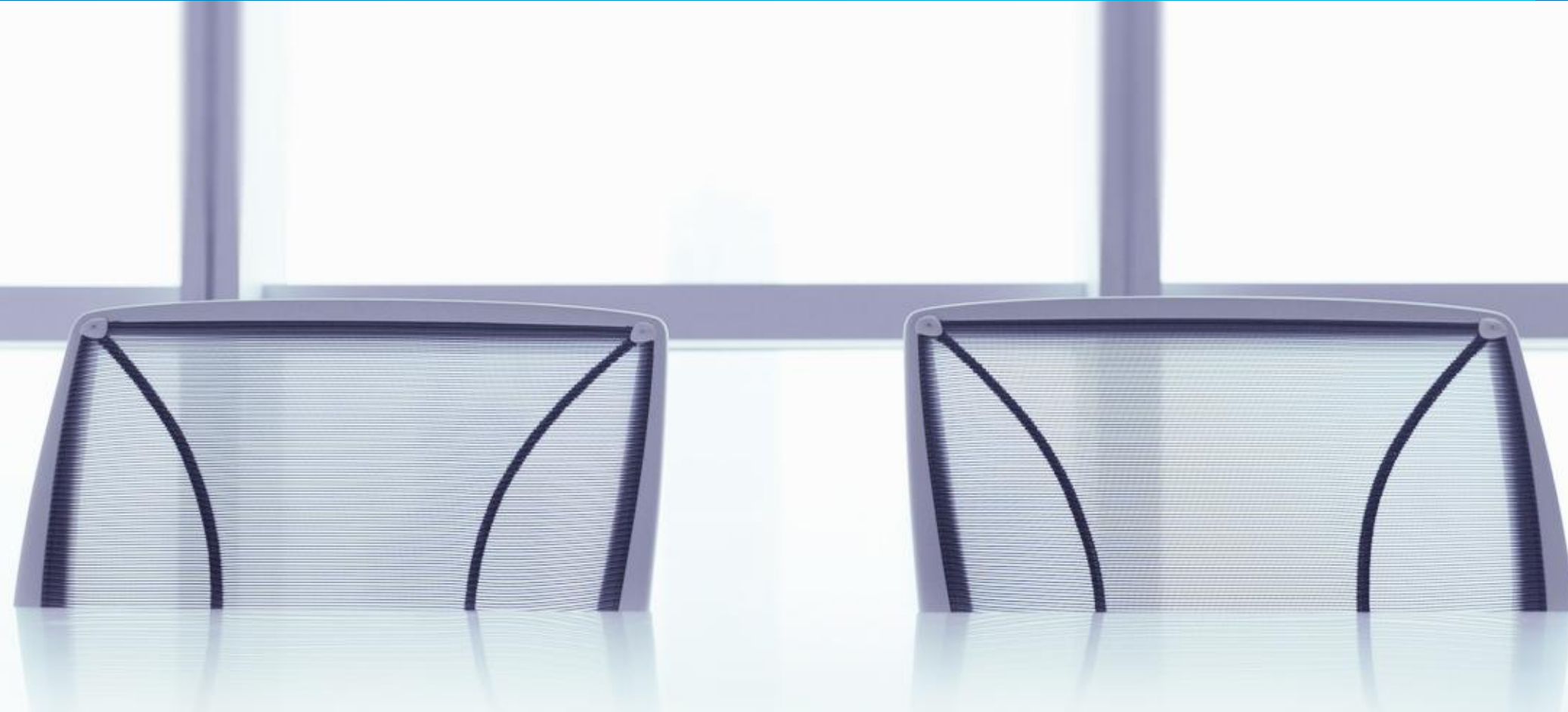
Market	Inventory SF	Direct Vacancy Rate	On Campus	Off Campus	Net Absorption	12-Month Net Absorption	NNN Asking Rent*	Prior Year Asking Rent	Under Construction
Atlanta	32,322,290	6.2%	4.0%	7.7%	258,607	239,426	\$21.11	\$20.72	100,800
Austin	10,643,051	7.7%	8.8%	7.0%	7,598	-97,621	\$29.75	\$29.41	351,754
Baltimore	13,605,411	6.8%	2.8%	7.2%	-110,324	-251,516	\$20.64	\$21.21	763,841
Boston	27,978,717	5.1%	3.6%	5.5%	-3,699	-229,616	\$21.52	\$22.61	521,780
Charlotte	15,616,249	3.9%	5.2%	4.1%	69,361	144,514	\$25.47	\$25.75	210,208
Chicago	34,868,151	7.2%	5.7%	7.5%	-34,620	94,566	\$19.44	\$18.57	375,212
Cincinnati	9,202,107	4.2%	5.4%	4.9%	81,299	-38,380	\$17.35	\$16.15	143,000
Cleveland	15,079,572	4.3%	0.3%	6.0%	5,485	44,722	\$18.20	\$18.94	312,000
Columbus	11,849,955	5.2%	1.4%	3.8%	-61,798	-27,392	\$14.67	\$15.51	373,000
Dallas-Fort Worth	36,295,705	9.4%	9.0%	9.3%	49,779	480,667	\$24.16	\$23.97	1,085,053
Dayton	4,927,093	3.8%	0.8%	3.8%	-33,164	11,313	\$14.02	\$12.98	22,600
Denver	19,731,360	5.5%	5.5%	5.3%	5,389	188,940	\$20.87	\$19.99	323,000
Des Moines	3,253,116	2.9%	1.1%	3.5%	-4,448	29,727	\$18.07	\$17.64	171,429
Detroit	24,128,235	10.1%	6.6%	11.0%	60,978	57,879	\$20.17	\$18.73	516,000
District of Columbia	2,496,633	12.0%	1.7%	15.2%	4,053	-31,952	\$41.00	\$41.00	200,500
East Bay/Oakland	10,159,451	5.8%	3.2%	6.7%	-1,106	-72,336	\$32.82	\$25.99	0
Fort Lauderdale	8,080,075	8.0%	6.0%	7.3%	-80,273	-122,117	\$27.53	\$28.57	0
Houston	40,868,275	11.2%	10.5%	12.2%	-11,018	431,970	\$23.84	\$23.82	1,079,060
Indianapolis	13,176,303	5.5%	4.1%	6.0%	-18,850	8,054	\$17.79	\$14.86	129,206
Inland Empire (California)	13,973,646	4.8%	4.1%	4.7%	439	7,169	\$23.40	\$25.51	0
Jacksonville (Florida)	7,719,505	5.5%	4.9%	9.8%	170,134	198,169	\$21.84	\$21.66	441,970
Kansas City	11,375,023	7.4%	8.2%	7.1%	15,809	110,922	\$23.05	\$20.85	914,700
Las Vegas	10,005,515	8.0%	9.5%	6.3%	-40,057	30,772	\$23.40	\$23.90	90,000
Long Island (New York)	12,916,532	5.3%	1.4%	6.2%	17,213	119,031	\$33.01	\$28.79	0
Los Angeles	41,236,432	6.5%	3.9%	7.6%	86,518	168,300	\$45.96	\$45.66	879,231
Miami	11,688,450	4.5%	5.5%	4.3%	29,918	16,472	\$37.77	\$38.81	1,147,308
Milwaukee	9,837,095	4.4%	5.5%	2.9%	62,078	6,082	\$16.41	\$15.47	8,100
Minneapolis/St Paul	16,913,704	4.0%	3.7%	3.5%	-58,306	77,779	\$20.22	\$19.78	198,909
Nashville	11,744,873	5.8%	7.8%	4.6%	3,033	108,479	\$25.43	\$26.09	231,115

*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 SUMMARIES

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	5,262,051	3.1%	2.1%	2.6%	-36,447	-53,249	\$19.95	\$14.89	132,000
New York City	14,157,105	5.5%	0.0%	6.4%	118,016	108,292	\$48.52	\$49.70	372,466
Northern New Jersey	33,371,710	6.0%	1.4%	6.9%	63,769	249,081	\$19.10	\$18.88	200,000
Northern Virginia	15,021,045	7.4%	6.1%	6.5%	-135,705	186,566	\$25.18	\$24.59	0
Oklahoma City	8,069,591	7.0%	4.7%	8.7%	7,495	-45,512	\$19.31	\$19.47	311,540
Orange County (California)	16,036,205	5.4%	7.7%	5.6%	473,197	335,670	\$37.13	\$34.81	0
Orlando	13,323,686	6.0%	1.9%	7.5%	77,838	328,975	\$24.96	\$24.34	476,726
Palm Beach	8,178,388	5.9%	5.8%	6.0%	-5,921	-48,370	\$28.41	\$26.14	0
Philadelphia	41,669,923	6.0%	4.3%	6.0%	-79,844	-222,234	\$19.76	\$18.01	181,000
Phoenix	22,252,323	11.2%	9.5%	11.0%	87,089	98,782	\$26.20	\$25.07	721,722
Pittsburgh	10,035,769	4.3%	1.6%	7.0%	73,530	162,427	\$18.18	\$19.15	0
Portland	12,226,437	4.2%	1.8%	5.5%	-12,834	-173,565	\$30.85	\$29.13	45,327
Raleigh/Durham	11,167,416	4.5%	1.4%	4.7%	-18,185	27,353	\$26.75	\$26.20	67,500
Richmond VA	6,474,849	6.7%	2.1%	3.5%	68,931	50,579	\$27.17	\$23.66	335,790
Salt Lake City	10,962,697	3.7%	1.9%	9.5%	-44,614	-106,873	\$21.52	\$20.37	180,000
San Antonio	13,089,728	11.1%	4.2%	5.8%	106,927	390,125	\$20.60	\$21.49	580,500
San Diego	13,928,988	5.7%	0.6%	11.1%	-34,201	29,558	\$29.16	\$26.72	86,515
San Francisco	7,567,411	5.8%	3.3%	4.2%	-11,226	101,448	\$54.92	\$58.47	705,869
Seattle/Puget Sound	18,174,935	3.6%	1.8%	4.1%	41,579	52,585	\$30.67	\$30.68	175,000
South Bay/San Jose	7,170,000	3.6%	6.1%	7.5%	3,763	148	\$34.41	\$40.14	231,579
St. Louis	12,877,274	4.1%	2.5%	4.8%	8,279	487,622	\$14.13	\$14.45	125,575
Suburban Maryland	13,808,772	12.2%	14.6%	12.3%	48,084	-38,186	\$27.87	\$28.01	379,000
Tampa/St Petersburg	18,806,408	5.1%	4.7%	4.8%	-56,563	-156,891	\$22.50	\$22.54	746,937
Tulsa	5,956,061	1.7%	0.5%	1.7%	-49,676	-31,058	\$13.93	\$11.29	64,800
U.S. Total	1,232,685,606	5.8%	4.5%	6.4%	2,059,049	3,636,977	\$22.63	\$22.47	16,731,509

*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



PRIMARY AUTHOR

Alexander Browne

National Director of Research
Healthcare + Life Sciences

Alex.Browne@Transwestern.com

415 489 1785

FOR MORE INFORMATION

Hans Nordby

Executive Managing Director
Research & Investment Analytics

Hans.Nordby@transwestern.com

214 572 9830

Elizabeth Norton

Sr. Managing Director
Research Services

Elizabeth.Norton@transwestern.com

202 775 7026

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 and [@Transwestern](https://www.instagram.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.