

Philadelphia Metro Area

Healthcare/MOB Market | Q1 2026

Soft Start to 2026, but Solid Fundamentals

Market Observations

- The healthcare/MOB market retracted in the first quarter of 2026. Quarterly absorption totaled negative 26,799 SF, due to a handful of small move-outs. This decline pushed the year-over-year absorption to negative 99,831 SF.
- The direct vacancy increased 20 basis points to 6.5% in the first quarter, the highest it has been since 2023. However, the current rate remains below the 10-year average of 7.0%.
- The more notable deals included Virtua Health renewing 11,602 SF at 502 Centennial Blvd and SEPA Pain & Spine subleasing 2,561 SF at 13 Armand Hammer Blvd. Neither deal impacted net absorption as renewals and subleases are not counted towards demand.
- Philadelphia's healthcare/MOB market is expected to remain resilient in 2026, supported by the region's large healthcare ecosystem, aging demographics, and continued demand for outpatient care. While demand has softened recently, fundamentals remain healthier than traditional office assets, with healthcare providers still favoring well-located, modern outpatient facilities near major hospital systems and affluent suburban populations. Limited new development, elevated construction costs, and steady healthcare employment growth should help stabilize occupancy and rent performance over the medium term.



14.3 MSF
Inventory



(26,799) SF
Net Absorption



6.5%
Direct Vacancy



6.8%
Overall Vacancy



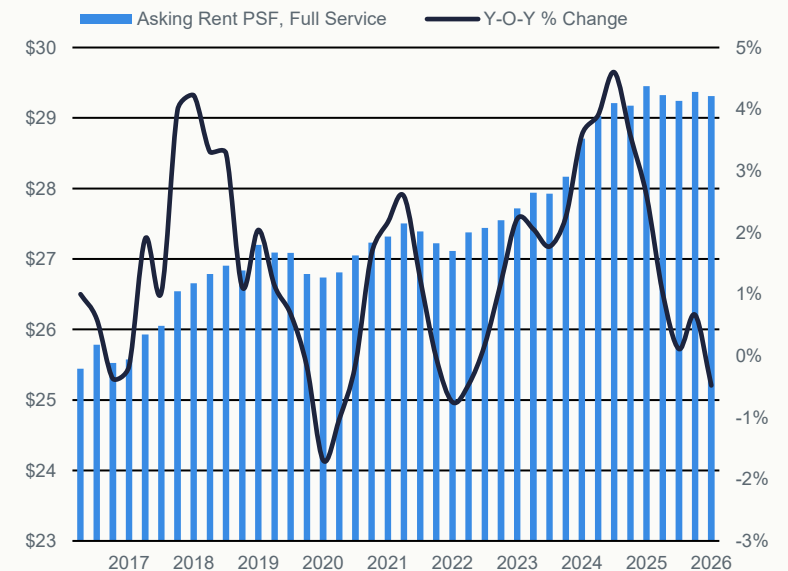
249,000 SF
Under Construction



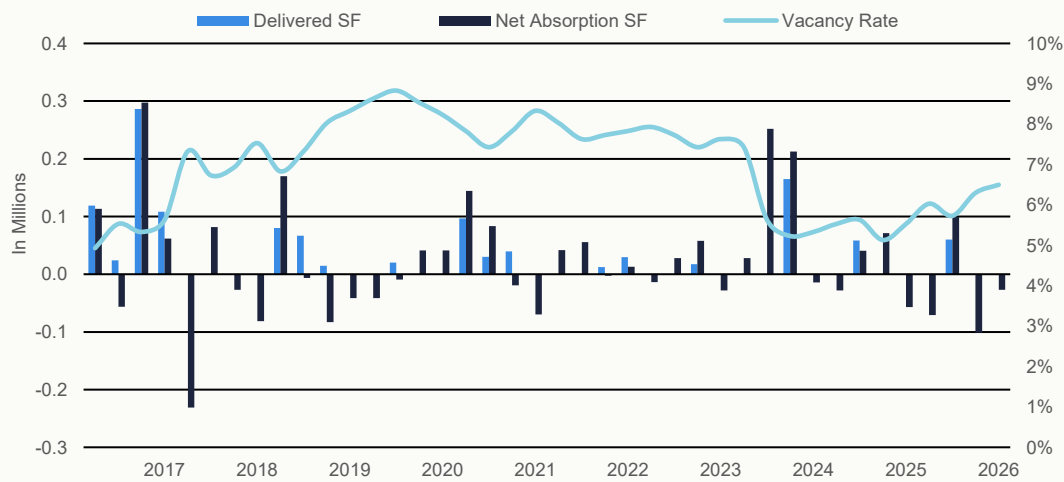
\$29.31 PSF
Asking Rent

- **Net absorption** totaled negative 26,799 SF during the first quarter of 2026. This loss can be attributed to Class B space in Suburban Philadelphia, which was recorded at negative 17,518 SF. Newer product in buildings built 2010 or younger remained positive with 7,110 SF of absorption driven by smaller deals.
- The **direct vacancy rate** increased 20 basis points to 6.5% over the quarter and is up from 5.5% one year ago. This compares to the U.S. average at 5.8%. Philadelphia CBD recorded the highest vacancy rate at 19.6%. Newer buildings have a chronically low vacancy rate at 0.8%.
- The **average medical office rent** decreased by 50 basis points in the first quarter, reaching \$29.31 PSF. Philadelphia Non-CBD experienced the largest gain of 1.0% over the past year, while Philadelphia CBD declined 2.3%.
- The **construction pipeline** was 249,000 SF at March 2026, composed of two projects. The larger of the two is Penn Medicine Montgomeryville in Suburban Philadelphia with 162,000 SF underway. Penn Medicine will occupy the building when it delivers early 2027.

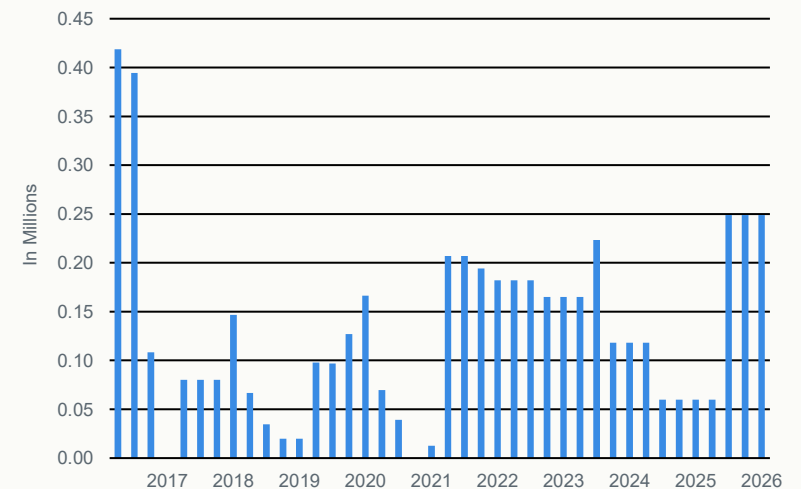
Asking Rent



Delivery Impact On Key Indicators



Under Construction



Market Indicators Table

All Classes of Space | Q1 2026

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Availability Rate	Under Construction SF	Net Absorption SF	Asking Rent PSF, Full Service
Philadelphia CBD	1,210,451	237,263	19.6%	19.6%	0	(4,633)	\$26.99
Philadelphia Non-CBD	2,126,477	121,584	5.7%	6.9%	0	345	\$32.61
Suburban Philadelphia	5,146,913	319,935	6.2%	6.4%	162,000	(24,299)	\$28.51
Southern New Jersey	3,858,006	185,713	4.8%	4.8%	0	2,324	\$29.89
Delaware	1,759,984	62,496	3.6%	3.6%	87,000	(536)	\$28.38
Cecil County	172,603	0	0.0%	0.0%	0	0	\$25.60
Total	14,274,434	926,991	6.5%	6.8%	249,000	(26,799)	\$29.31

Source: CoStar, Transwestern

Market Indicators Table

By Class of Space | Q1 2026

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Availability Rate	Net Absorption SF
Philadelphia Non-CBD	944,963	76,915	8.1%	10.8%	0
Suburban Philadelphia	468,822	6,487	1.4%	1.4%	(90)
Southern New Jersey	1,422,974	48,011	3.4%	3.4%	0
CLASS A	2,836,759	131,413	4.6%	5.5%	(90)
Philadelphia CBD	1,195,451	237,263	19.8%	19.8%	(4,633)
Philadelphia Non-CBD	608,034	11,596	1.9%	1.9%	0
Suburban Philadelphia	2,650,013	198,140	7.5%	7.7%	(17,518)
Southern New Jersey	1,336,996	71,736	5.4%	5.4%	(1,650)
Delaware	1,120,621	39,890	3.6%	3.7%	2,058
Cecil County	65,793	0	0.0%	0.0%	0
CLASS B	6,976,908	558,625	8.0%	8.1%	(21,743)
Philadelphia CBD	15,000	0	0.0%	0.0%	0
Philadelphia Non-CBD	573,480	33,073	5.8%	5.8%	345
Suburban Philadelphia	2,028,078	115,308	5.7%	6.0%	(6,691)
Southern New Jersey	1,098,036	65,966	6.0%	6.0%	3,974
Delaware	639,363	22,606	3.5%	3.5%	(2,594)
Cecil County	106,810	0	0.0%	0.0%	0
CLASS C	4,460,767	236,953	5.3%	5.4%	(4,966)
Philadelphia CBD	1,210,451	237,263	19.6%	19.6%	(4,633)
Philadelphia Non-CBD	2,126,477	121,584	5.7%	6.9%	345
Suburban Philadelphia	5,146,913	319,935	6.2%	6.4%	(24,299)
Southern New Jersey	3,858,006	185,713	4.8%	4.8%	2,324
Delaware	1,759,984	62,496	3.6%	3.6%	(536)
Cecil County	172,603	0	0.0%	0.0%	0
Total	14,274,434	926,991	6.5%	6.8%	(26,799)

Source: CoStar, Transwestern

Market Indicators Table

By Year Built | Q1 2026

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Availability Rate	Net Absorption SF
Philadelphia CBD	153,242	0	0.0%	0.0%	0
Philadelphia Non-CBD	37,000	0	0.0%	0.0%	0
Suburban Philadelphia	800,799	9,987	1.2%	1.2%	(90)
Southern New Jersey	1,530,508	4,831	0.3%	0.3%	0
Delaware	169,009	7,014	4.2%	4.2%	7,200
Cecil County	49,399	0	0.0%	0.0%	0
BUILT 2010 AND YOUNGER	2,739,957	21,832	0.8%	0.8%	7,110
Philadelphia CBD	1,057,209	237,263	22.4%	22.4%	(4,633)
Philadelphia Non-CBD	2,089,477	121,584	5.8%	7.0%	345
Suburban Philadelphia	4,346,114	309,948	7.1%	7.4%	(24,209)
Southern New Jersey	2,327,498	180,882	7.8%	7.8%	2,324
Delaware	1,590,975	55,482	3.5%	3.6%	(7,736)
Cecil County	123,204	0	0.0%	0.0%	0
BUILT PRIOR TO 2010	11,534,477	905,159	7.8%	8.2%	(33,909)
Philadelphia CBD	1,210,451	237,263	19.6%	19.6%	(4,633)
Philadelphia Non-CBD	2,126,477	121,584	5.7%	6.9%	345
Suburban Philadelphia	5,146,913	319,935	6.2%	6.4%	(24,299)
Southern New Jersey	3,858,006	185,713	4.8%	4.8%	2,324
Delaware	1,759,984	62,496	3.6%	3.6%	(536)
Cecil County	172,603	0	0.0%	0.0%	0
Total	14,274,434	926,991	6.5%	6.8%	(26,799)

Source: CoStar, Transwestern



Research Methodology

The information in this report is the result of a compilation of information on medical office properties located in the Philadelphia metro area. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding those properties owned by a government agency.

About Transwestern

Transwestern is a vertically integrated commercial real estate firm dedicated to serving investors, partners and clients through expertise in investment, development, brokerage and property management. We own, lease and operate \$64 billion ¹ in assets. Our experience spans diverse property types, including logistics, multifamily, retail, mixed-use, healthcare, office, data centers, hotel, and life sciences. Across 33 offices nationwide, our team is united by a culture that cultivates agility, mutual trust and high performance. Learn more at transwestern.com.

¹ Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026.

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