



## **Medical outpatient buildings market is reviewed in CBRE's 2025 U.S. Healthcare Real Estate Outlook report**

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Manhattan, NY The market for U.S. medical outpatient buildings (MOBs) is poised for lower vacancy and higher rents, leasing activity, and sales transaction volume in 2025, according to CBRE's 2025 U.S. Healthcare Real Estate Outlook report.

In New York City, demand for healthcare space is expected to grow significantly over the next few years, primarily adjacent to the medical cluster on the east side.

CBRE defines the MOB sector as buildings constructed for or renovated to house patient care outside of hospitals. This includes facilities for primary care physicians, dentists, behavioral clinics, and other medical specialists. Urgent care centers, surgery centers, and addiction treatment clinics are also included.

New York City experienced the most MOB construction activity nationwide as of 2024's second quarter, outpacing the next busiest markets of Washington, D.C., and Dallas.

"Robust leasing, with new leases and expansion totaling nearly 5.4 million s/f over the past six years, combined with strong capital markets activity, has propelled off-campus healthcare growth to new heights," said Bill Hartman, vice chairman of CBRE. "Tri-State residents over 75 - considered most likely to require medical treatment - are expected to grow from 7.7% of the region's population to 9.4% in 2030. This is yet another indicator of the growth we expect to see in the healthcare sector."

Five major healthcare construction projects are currently spread across five sites in New York City's Upper East Side and Brooklyn. Most of the space is concentrated in two properties — an MOB off the Medical Mile at 79th and First Ave. with Hospital for Special Surgery as an anchor tenant and a large property in Brooklyn leased by New York City for outpatient treatment.

The top medical centers, research facilities, and academic hospitals in Manhattan's cluster - which runs along First Ave., continue to change how they operate. That includes providing more ambulatory medical services away from their main campuses. This has created an additional need for new modern healthcare space in Manhattan.

"Manhattan's Upper East Side will continue to be a hot spot given the area is home to campuses belonging to major hospitals such as Hospital for Special Surgery, Mount Sinai,

NY-Presbyterian/Weill Cornell, Memorial Sloan Kettering and Rockefeller University,” Hartman said.

Nationally, CBRE forecasts that MOB asking rents will rise by up to 1.8% in each of 2025 and 2026 and vacancy will decline slightly to 9.46% by the end of 2025 from 9.57% in this year’s third quarter. CBRE also foresees lower interest rates, easing inflation and growing demand for healthcare services, which will bolster MOB leasing and sales activity next year.

Among the 2024 metrics that bode well for the sector in the future: U.S. healthcare employment grew by 4.7% in this year’s first quarter from Q1 2023, compared to overall job growth of 1.8%. MOB construction completions have gradually declined since peaking in Q1 2023, contributing to the sector’s declining vacancy and rising rents this year. Additionally, MOB sales volume increased to \$2.51 billion in Q3 2024, up 48% from a year earlier. That marked the second consecutive year-over-year increase following nearly two years of declines.

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