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2025 Healthcare Real Estate Outlook

Introduction

The healthcare real estate landscape in 2025 reflects profound shifts in care delivery models and market dynamics. While hospital closures and retail health consolidation created challenges in 2024, medical office buildings and ambulatory surgery centers demonstrated remarkable resilience with robust growth. Today's market finds itself at a critical juncture where demographic tailwinds from an aging population intersect with evolving consumer preferences for accessible care.

This report explores the current state of the healthcare real estate market, key trends influencing real estate strategies, and emerging opportunities for healthcare providers in 2025.

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State of the Market

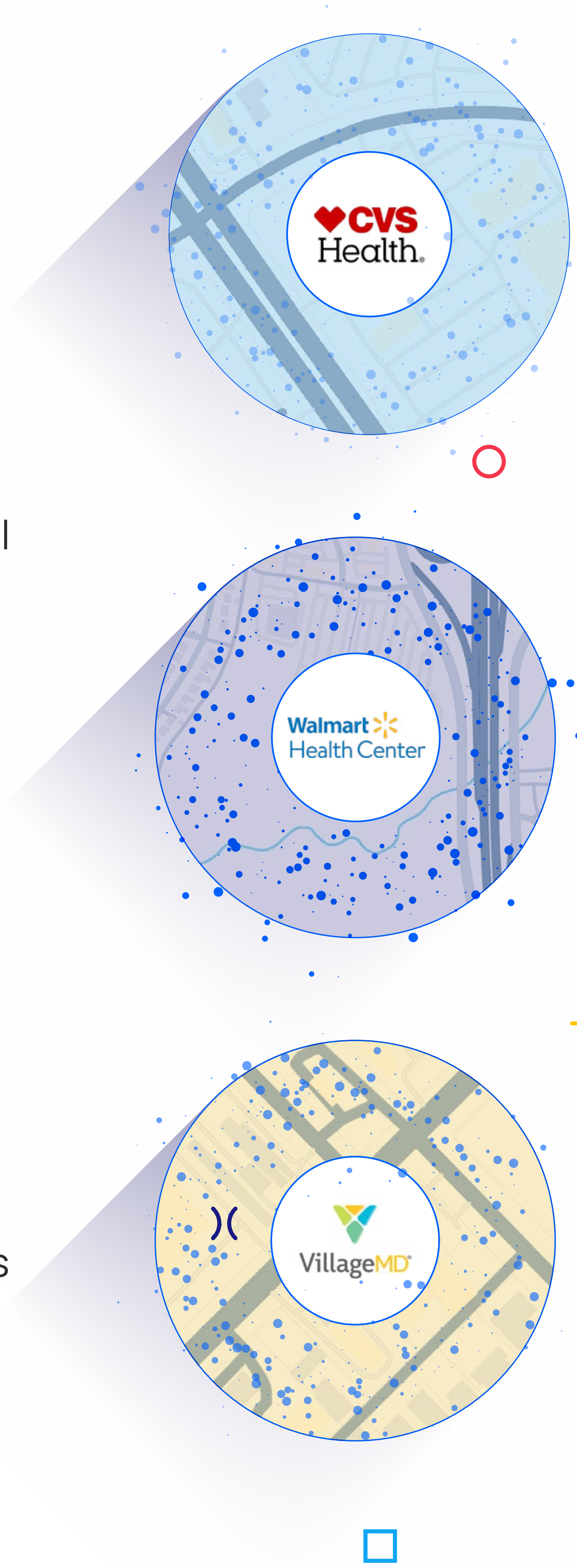
The healthcare real estate market in 2024 reflected a sector in transition, balancing increased demand for outpatient services with ongoing operational challenges. While hospital closures and department consolidations continued, medical office buildings and ambulatory surgery centers saw robust growth. This evolution creates both challenges and opportunities for healthcare real estate strategies heading into 2025.

In this section of the report, we take a closer look at real estate market fundamentals that will influence expansion this year.

Closures and Openings

Healthcare real estate witnessed significant shifts in 2024, particularly in the retail healthcare sector. Major players like Walgreens announced plans to shift its primary care strategy by lowering its stake in VillageMD, the primary care provider in which it invested $5.2 billion in 2021. The company plans to shutter at least 160 VillageMD clinics after facing nearly $6 billion in losses tied to the venture. (Healthcare Brew, 2024). Likewise, Walmart Health closed all 51 health centers across five states, while CVS Health strategically shuttered several MinuteClinic locations and announced plans to reduce its corporate footprint (Becker's Hospital Review, 2024).

However, these closures are driving innovative repurposing opportunities, with health systems like Mercy and AdventHealth taking over former retail healthcare spaces to expand their footprint (Connecticut Hospital Association, 2024). The trend reflects a broader industry recalibration rather than sector decline, as healthcare systems optimize their real estate portfolios to align with changing delivery models and consumer preferences.



CVS Health
Plans to close 270 stores in 2025 as part of a 3-year plan to close 900 stores.

Walmart Health Center
All 51 Walmart Health centers closed across five states.

VillageMD
At least 160 VillageMD clinics closed after $6B in losses.

Vacancy Rates

The national Medical Office Building (MOB) vacancy rate demonstrated resilience in 2024, falling to 7.5%, representing a 45-basis point year-over-year improvement (Cushman & Wakefield, 2024). The overall market occupancy rate reached a cyclical high of 92.8%, indicating robust demand for healthcare real estate space (Cushman & Wakefield, 2024).

The consistently low vacancy rates and high occupancy levels indicate a robust market fundamentally supported by growing healthcare demand. For 2025, this suggests continued strong performance in well-located medical properties, though success will increasingly depend on strategic positioning within high-growth submarkets.

92.8%
2024 Occupancy Rate

Vacancy & Occupancy Trends

	2024	2025 Outlook
MOB Vacancy Rate	7.5% (↓ 45 bps YoY)	Expected to remain low in strong markets
Occupancy Rate	92.8%	Continued strength in high-growth areas
Market Trend	Strong demand for healthcare real estate	Strategic positioning critical for success
Key Considerations	Low vacancy supports rent stability, demand remains high	Location in high-growth submarkets will be key

Real Estate Prices

The healthcare real estate market experienced rising rent costs in 2024, with triple-net asking rents increasing by 1.4% year-over-year to reach $24.86 per square foot (CBRE, 2024). Looking ahead to 2025, rent growth is projected to range between 1.4% and 1.8%, continuing the trend of rising occupancy costs for healthcare tenants (CBRE, 2024).

As rents continue to rise, tenants must carefully evaluate lease terms and location strategies to balance costs with patient accessibility and operational efficiency. With limited new supply, competitive lease negotiations and long-term planning will be essential for organizations securing space in high-demand markets.

Healthcare Real Estate Rent Trends

	2024	2025 PROJECTION
Triple-Net Asking Rent	$24.86 per square foot	$25.21 - $25.31 per square foot
Year-Over-Year Growth	1.40%	1.4% - 1.8% projected
Market Trend	Rising occupancy costs for healthcare tenants	Continued rent growth and limited new supply
Key Considerations	Competitive lease negotiations, long-term planning, and strategic site selection	Balancing costs with patient accessibility and operational efficiency

Other Growth Factors

Economic Conditions

The economic landscape for 2025 shows signs of improvement with moderating inflation and anticipated interest rate reductions. The Federal Reserve's 75-basis-point cut in 2024 has improved market sentiment, with further rate cuts expected in 2025 (Cushman & Wakefield, 2024). However, commercial healthcare spending is projected to grow at its highest rate in 13 years, with PwC's Health Research Institute (HRI) forecasting an 8% year-over-year medical cost trend in 2025 for the Group market and 7.5% for the Individual market. This near-record trend is driven by inflationary pressure, prescription drug spending, and increasing behavioral health utilization (PwC, 2024).

These economic factors paint a favorable picture for healthcare real estate in 2025, as lower interest rates should improve access to capital while steady healthcare spending growth provides a strong demand foundation. The aging population trend in particular suggests sustained long-term demand for healthcare facilities that will transcend shorter-term economic cycles.

Commercial healthcare spending is projected to grow at its highest rate in 13 years.

Construction Activity

Construction activity showed moderation in 2024, with inventory under construction as a percentage of total inventory declining to 2.4% (21 million square feet), down from 3.0% in 2023. New starts have trended lower, totaling just 1.5 million square feet in the third quarter of 2024, representing a 20% decrease from the previous year. Despite this slowdown, approximately 14.7 million square feet of new construction is expected to be delivered in the next 12 months (Cushman & Wakefield, 2024). The constrained pipeline suggests healthcare organizations should consider creative alternatives to new construction, such as repositioning existing assets or pursuing non-traditional spaces such as retail centers.

Labor Supply

Healthcare employment grew by 4.7% year-over-year in Q1 2024, significantly outpacing total employment growth of 1.8%. However, the sector continues to face substantial workforce challenges, with a healthcare practitioner unemployment rate of just 1.7% compared to 4.5% for all occupations (CBRE, 2024). While job openings have begun to decline slightly, a persistently high quit rate—averaging 2.5% of the healthcare workforce each month—continues to deplete the labor pool, with more than half of those resigning leaving healthcare altogether (JLL, 2024). Unless healthcare organizations implement targeted strategies to not only attract but also retain skilled professionals, staffing constraints will increasingly delay the opening of new facilities and strain existing operations.

Healthcare Trends

Beyond macroeconomic factors and real estate fundamentals, healthcare real estate decisions in 2025 will be driven by broader industry trends. While these trends are not entirely new, their continued evolution highlights the enduring influence of consumer preferences, technological advancement, and operational demands on healthcare real estate strategies.

The Commercialization of Healthcare

Private equity-backed healthcare organizations continue to pursue expansion, driven by investment mandates that emphasize revenue growth and market share capture. Despite a 15% decline in private equity deal volume in 2024, the long-term trajectory remains clear—healthcare tenants must be prepared for heightened competition when securing prime real estate in high-growth markets (FTI Consulting, 2024). As PE-backed healthcare groups aggressively scale their footprints, they are competing not only with each other but also with national and regional retailers seeking similar high-visibility retail space.

The retail sector's recent shakeup has provided new opportunities for healthcare tenants. Walgreens announced plans shutter at least 160 VillageMD clinics, and Walmart exited the primary care business entirely in 2024 by closing its 51-store Walmart Health network. These closures, combined with continued fallout from other retail bankruptcies, have freed up desirable retail spaces that healthcare providers can repurpose for medical use (Connecticut Hospital Association, 2024). However, certain retail categories—including discount stores, fast-casual restaurants, and experiential retail—are simultaneously expanding and will compete for the same real estate.

The Digitalization of Healthcare

The push toward digital healthcare has reshaped facility planning, but recent pullbacks in virtual care expansion indicate a renewed emphasis on physical locations. While telehealth adoption surged during the pandemic, utilization has since declined, leading many healthcare organizations to recalibrate their omnichannel strategies (CBRE, 2024). Instead of replacing brick-and-mortar facilities, digital healthcare is now augmenting them, requiring providers to rethink how physical locations fit into a broader care delivery model.

Retail health operators and health systems alike are integrating virtual care into their real estate strategies, ensuring that locations support a mix of in-person and remote visits. This shift has placed renewed focus on hybrid care facilities—spaces designed to accommodate both traditional patient visits and virtual consultation suites. These sites must be strategically located within high-growth markets and well-connected communities, balancing accessibility with the flexibility to adapt to evolving digital healthcare models.

As healthcare organizations navigate the next phase of digitalization, real estate professionals must approach site selection with an omnichannel mindset. The ability to merge physical and digital access points will differentiate successful expansion strategies from those that struggle to keep pace with shifting patient preferences.

The Rise of Outpatient Services

The healthcare delivery model continues its dramatic shift toward outpatient care, with over 80% of surgeries now performed in outpatient settings (Cushman & Wakefield, 2024). This transformation is largely driven by cost effectiveness – procedures such as gallbladder operations can cost on average $12,000 in hospitals versus just $2,200 in ambulatory surgical centers. Patient utilization data supports this trend, with outpatient visits increasing from 1.8 visits per patient in 2000 to 2.4 visits in 2022. This shift is further supported by insurance providers who are increasingly pushing patients toward outpatient facilities for certain medical procedures (CBRE, 2024).

Healthcare continues its shift to outpatient care, with over 80% of surgeries now performed outside hospitals.

In response to this growing demand, 80% of new medical office buildings are being developed away from hospital campuses in residential and retail districts, with an average size of 26,500 square feet for these facilities (CBRE, 2024). This shift reflects the growing preference for smaller, more numerous facilities that can bring care closer to patient populations.

Continued Demand for Behavioral Health

The behavioral health sector faces unprecedented demand, with approximately 25% of U.S. adults experiencing mental illness in 2021, compared to 17.8% a decade earlier (Hall Render, 2024). Despite increased construction and adaptive reuse projects for behavioral health facilities in 2024, a significant shortage of facilities and providers persists. This gap between supply and demand has spurred new development, with behavioral health facilities seeing some of the highest construction and conversion activity in the healthcare sector. Additionally, providers are increasingly integrating behavioral health services into primary care settings, creating demand for facilities that can accommodate both services (JLL, 2024).

The sustained demand for behavioral health services will drive investment in both specialized facilities and integrated care settings through 2025, with particular value placed on properties that can be adapted for behavioral health use while maintaining flexibility for other healthcare services.

Navigating Uncertainty in 2025

Healthcare real estate decisions in 2025 will be made against a backdrop of economic and regulatory uncertainty. The long-term trajectory of interest rates remains unclear, as does the future of Medicare reimbursement policies, which are under increased scrutiny amid efforts to control government healthcare spending. Potential regulatory shifts—ranging from Certificate of Need (CON) law revisions to changes in telehealth reimbursement—add further complexity for healthcare providers planning new locations.

While uncertainty can lead to hesitation, many healthcare organizations are continuing to expand, driven by the need to grow revenue and increase patient access. However, in this environment, expansion strategies must be more precise than ever. Organizations that rely on outdated site selection methods or make assumptions about patient behavior risk misallocating resources.

Instead, healthcare real estate professionals must focus on what they can control—leveraging location analytics to mitigate risk and gain confidence in site selection decisions. By understanding patient demographics and behaviors, competitor positioning, and market demand at a granular level, healthcare organizations can move forward with expansion plans that are both strategic and resilient in an unpredictable landscape.

Hot Markets

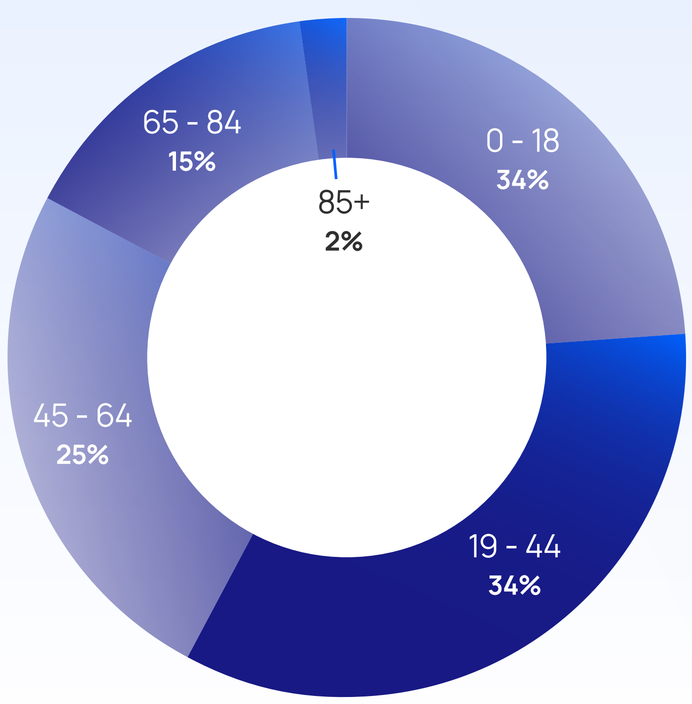
Which U.S. markets will see the most interest from expanding healthcare organizations in 2025? Here's what the data suggests.

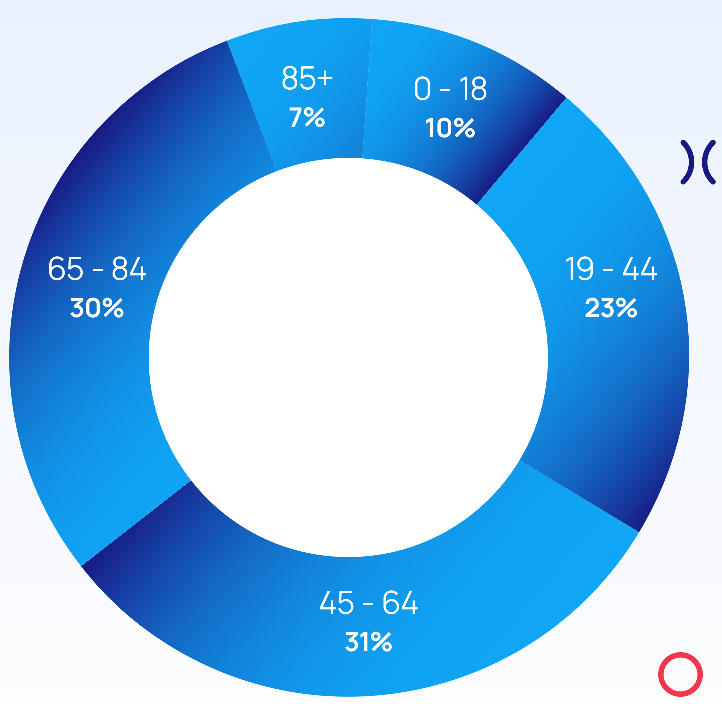
Population Trends – Boomers Driving Demand

The aging U.S. population remains a primary driver of healthcare demand. By 2030, all baby boomers will have reached retirement age, expanding the senior population (age 65+) from 61 million in 2024 to 70 million, making up 20% of the total U.S. population (CBRE Research, 2024).

The spending patterns are striking – while those over 65 comprise just 17% of the U.S. population, they drive 37% of all healthcare spending (CBRE Research, 2024). Annual per capita healthcare spending averages around $8,000 for Americans under 64 but jumps dramatically to $20,000 for those aged 65-84 and exceeds $35,000 for those over 85. The latter two age groups are projected to grow by 17% and 56% respectively by 2034 (CBRE Research, 2024).

Share of U.S. Population and Healthcare Spending by Age Cohort





Sources: U.S. Census Bureau, Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group Q3, 2024

This "grey tsunami" is creating urgent demand for healthcare real estate, particularly in markets with fast-growing senior populations. Markets experiencing rapid growth in their 65+ demographic will need to significantly expand their healthcare infrastructure and staffing to accommodate rising demand for medical services (CoStar Research, 2024). The trend is already driving robust absorption of medical office buildings (MOBs) in many sunbelt markets that are popular retirement destinations (Cushman & Wakefield Research, 2024).

What the Real Estate Industry Says – Hot Market Predictions

Industry experts project significant shifts in the healthcare real estate landscape for 2025, with certain markets emerging as leaders due to demographic trends, economic conditions, and evolving healthcare delivery models.

Houston, Atlanta, and Boston currently lead in medical office building (MOB) absorption, but CBRE forecasts that Boston, Houston, and Dallas will take the lead in 2025. Boston is expected to claim the top spot from Houston, which has consistently led MOB absorption since 2021. Houston's absorption is projected to drop below 1 million square feet for the first time since 2021, settling at approximately 700,000 square feet (CBRE, 2024).

MARKETS TO WATCH	ABSORPTION (Sq. Ft.) - Q3 '23-Q2 '24	VACANCY RATE (%)	AVG. ASKING RENT (NNN) ($/Sq. Ft.)
Houston	1,375,000	14.1	$23.05
Atlanta	685,000	7.5	$23.65
Boston	474,000	6	$23.28
Miami	317,000	7.6	$36.63
Raleigh	222,000	4.7	$25.14
Charlotte	184,000	5.1	$27.01
Nashville	137,000	6.5	$25.28
Las Angeles	121,000	9.5	$38.77
Phoenix	47,000	11.8	$24.27
Washington DC	-312,000	11.6	$28.87
Denver	-355,000	10	$21.09
Dallas	-382,000	14	$24.23

Source: CBRE's 2025 U.S. Healthcare Real Estate Outlook

According to Cushman & Wakefield's research, top markets for new construction include New York, Washington D.C., and Dallas. In other markets, rapid population growth is spurring demand for new construction of smaller facilities in outlying suburbs, particularly evident in Houston, Orlando, Phoenix, and Atlanta (Cushman & Wakefield, 2024).

As these markets demonstrate, the intersection of population growth, healthcare workforce availability, and evolving care delivery models will shape healthcare real estate development priorities in 2025. Industry experts agree that healthcare providers and operators seeking expansion must carefully assess local market dynamics to secure locations that align with patient demand, workforce accessibility, and long-term operational sustainability.

Implications for Health Systems and Retail & Specialty Health Organizations

In 2025, health systems and retail health organizations must carefully navigate a real estate landscape shaped by shifting care delivery models, economic pressures, and evolving consumer expectations. The surge in outpatient services, coupled with retail healthcare's strategic pivot, creates both challenges and opportunities for real estate strategies.

For health systems, success requires balancing the demand for convenient outpatient locations with operational efficiency. As hospital consolidation continues and the shift toward outpatient care accelerates, systems must leverage data analytics to optimize their real estate portfolios. This includes strategic decisions about which locations to expand and how to position new facilities. Health systems should also consider opportunities created by retail healthcare's retrenchment, including potential partnerships or acquisition of vacated retail spaces.

Retail health organizations face a more complex reality. While retail-style primary care—such as the now-shuttered Walmart Health centers and Walgreens VillageMD clinics—has struggled to scale, retail-based healthcare is still expanding in other sectors. Optometry, dentistry, urgent care, and other specialty services continue to thrive in retail corridors, largely because these models align with consumer expectations for convenience and efficiency. The challenge for retail health operators is not whether retail-style healthcare works, but rather which service lines are best suited for the model.

For both sectors, having a location strategy backed by robust analytics is essential. Advanced tools enable organizations to identify high-potential sites, understand market dynamics, and make data-driven decisions about facility investments. This analytical approach helps organizations position themselves competitively while mitigating risk in an increasingly complex healthcare real estate landscape.

Do you have the insights you need to make the right real estate decisions in 2025?

Do you have the insights you need to make the right real estate decisions in 2025? If not, contact Buxton to learn more about how our location intelligence solutions can help you to identify the right real estate for your organization.

Visit Buxton's location intelligence to learn more or scan the QR code.

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