

Research

Strong Demand, Limited Supply Lift MOB Occupancy

Technology and patient preference continue to drive a shift to outpatient care.

By **Kristen Smithberg** | June 12, 2025 at 05:36 AM

While an aging population and increased disease prevalence keep healthcare demand strong, a shift in where care is delivered continues to evolve. Home and telehealth services may reduce demand for purpose-built medical outpatient space, and slowing long-term population growth, rising labor and supply costs, and disruptions in the health insurance sector may create headwinds for the sector, according to a JLL medical outpatient building (MOB) report.

Outpatient volumes in the United States are expected to grow 10.6% over the next five years, whereas inpatient volumes should increase 0.9% over the same period. This shift in care from inpatient to outpatient will continue to be driven by technology and patient preference as advances in medical care make treatments cheaper, safer and less invasive, said the report.

Service lines, including orthopedics, spine, vascular and oncology, are seeing rapid growth in outpatient settings.

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Average MOB asking rents continued to grow, although at a slower pace. Prices were up 2.5% in 2024 compared with 3.7% in 2023. Four Sunbelt markets saw rent growth exceeding 3% from 2023 to 2024, plus Boston and Northern New Jersey also enjoyed rent increases thanks to their proximity to growing health systems. Rent growth leaders also included Miami, Richmond, Indianapolis, Pittsburgh, Orlando, Long Island, Austin, Tampa, Minneapolis and Portland.

The New York area led all markets with new outpatient services move-ins to both leased and owned office space in 2024. In Manhattan, more than two-thirds of office space newly occupied by healthcare tenants in 2024 was in non-medical properties. Philadelphia led all markets for net absorption in 2024, while Houston and Atlanta both had over 400,000 square feet of net absorption, said the report.

MOBs remain an attractive asset class for investors due to tenant stability and high likelihood of renewal, said JLL. Medical outpatient transaction volume increased in 2024, as the \$4.6 billion acquisition of Physicians Realty Trust by Healthpeak bolstered volumes. Even without this transaction, portfolio and individual property sales marked a slight year-over-year increase in 2024.

“Health systems and providers own approximately 50% of the 1.4 billion stock of medical outpatient buildings,” said JLL. “With increased focus on their outpatient strategies, some health systems value ownership in being able to curate their own tenant mix to drive revenue within their health systems. If lending costs fall, these health systems may be active buyers of adjacent real estate and development sites.”

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