QuickTake BY NORTHMARQ

Northmarq NATIONAL HEALTHCARE GROUP

Healthcare's Vital Signs *Part 4*

Real-Time Market Insights for Corporate Healthcare Operators

Cyclical-high occupancy, 1.1% supply growth and space per healthcare employee down roughly 9% from pre-pandemic levels have turned real estate from an execution detail into a gating factor on your growth plan. For operators expanding into this tight market, moving site control earlier in the cycle is what keeps growth on schedule and on your terms.

Market Truth #1

Real estate is now **a gating factor on growth.**

- You are planning expansion into a market with very little available space.
- That is not a reason to slow down, but a reason to secure sites earlier in the cycle.
- Move first, and site control becomes an advantage instead of a scramble.

Market Truth #2

Your de novo plan carries a real estate cost **worth pricing today.**

- Occupancy sits at a cyclical high, supply growth is 1.1% and space per healthcare employee has fallen roughly 9% from pre-pandemic levels.
- De novo expansion is entering a landlord's market, so the pro forma that reflects that reality now is the one that holds up.
- Site control belongs earlier in planning than it did three years ago.

Market Truth #3

Every renewal is a planning opportunity **if you start early.**

- Same-store rents are growing about 2% off a series-high base, and vacancy is minimal across most of the top 100 metros.
- Multi-site operators who model the full expiration schedule now protect their negotiating leverage.
- That leverage lives in portfolio-level planning.

Opportunity #1

The off-campus thesis **is no longer a thesis.**

- Off-campus medical office occupancy has climbed from roughly 90.8% in 2021 to 92.1%, and the on- and off-campus spread has compressed to a cycle low.
- Patient and provider migration to community-based, retail-adjacent locations is durable and now visible in the data.
- Your site strategy has the numbers behind it.

Opportunity #2

Conversion is the fastest route **into a market with no space.**

- At $415 PSF and a shorter delivery timeline, converting retail or office product is a practical entry for operators who cannot wait on ground-up construction.
- In a supply-constrained market, speed to deliverable space is its own return.

Opportunity #3

Your owned real estate **is the cheapest capital on your balance sheet.**

- Hospitals and health systems sold $0.8 billion of medical office at a 6.4% average cap rate over the past 12 months.
- Monetization pricing remains strong, and the proceeds fund core operations, technology and acquisitions without dilution.
- The building can pay for the growth.

Learn how Northmarq's National Healthcare Group helps corporate healthcare operators navigate today's market.

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