4Q25 U.S. Commercial Real Estate Market Update

Stability, Selectivity, and the Strength of Healthcare Real Estate

4Q25 | U.S. Commercial Real Estate | Healthcare Focus

Overview
As 2025 closes, the U.S. commercial real estate (CRE) market finds itself on firmer ground. After two years of adjustment marked by higher interest rates and cautious capital deployment, sentiment has shifted from defensive positioning to selective optimism - with healthcare real estate standing out for durable demand and income stability.

> *In a yield-sensitive environment, healthcare real estate is not just defensive - it is strategic.*

Market Overview: A Year of Income-Led Stability

Returns in 4Q25 were driven primarily by income, not appreciation - a continuation of the post-rate-hike environment. Institutional indices such as the NCREIF Property Index posted modest but positive gains, suggesting values have largely stabilized after the 2023-2024 repricing cycle.

Capital & Transaction Tone

Transaction activity is recovering as well-capitalized investors re-engage for high-quality assets across industrial, multifamily, and healthcare. Lending conditions remain tighter than pre-2022 norms, but declining Treasury yields and steady fundamentals are improving pricing confidence.

Sector Read-Through

Industrial and logistics remain top performers, supported by supply chain diversification and limited new development. Multifamily is stabilizing as deliveries taper. Retail - especially open-air and necessity-based formats - is proving resilient on income. Office remains bifurcated, with Class A holding up better than older stock.

Healthcare Focus

- Medical Office & Outpatient: Demand remains strong as care shifts from inpatient to outpatient settings.
- Limited New Supply: New medical office construction is near decade lows, supporting rent stability.
- Investor Activity: Private capital and healthcare REITs are selectively targeting credit-tenant assets and hospital-adjacent opportunities.
- Income Strength: Long-term leases and high renewal rates support resilient income-led performance.

Key idea

Income + durability

Looking Ahead

Looking into 2026, the market appears healthier, more disciplined, and better balanced. The correction phase has largely run its course, and capital is rediscovering confidence in sectors supported by structural demand. In a yield-sensitive environment, healthcare real estate is not just defensive - it is strategic.