BLANCA

Q1 2025

Medical Office Market Report.

Snapshot & Outlook

Blanca Report. (2025). Powered by RevistaMed data.

South Florida's medical office market opened 2025 with measured confidence, supported by solid demographic tailwinds, strategic healthcare expansion, and continued tenant demand.

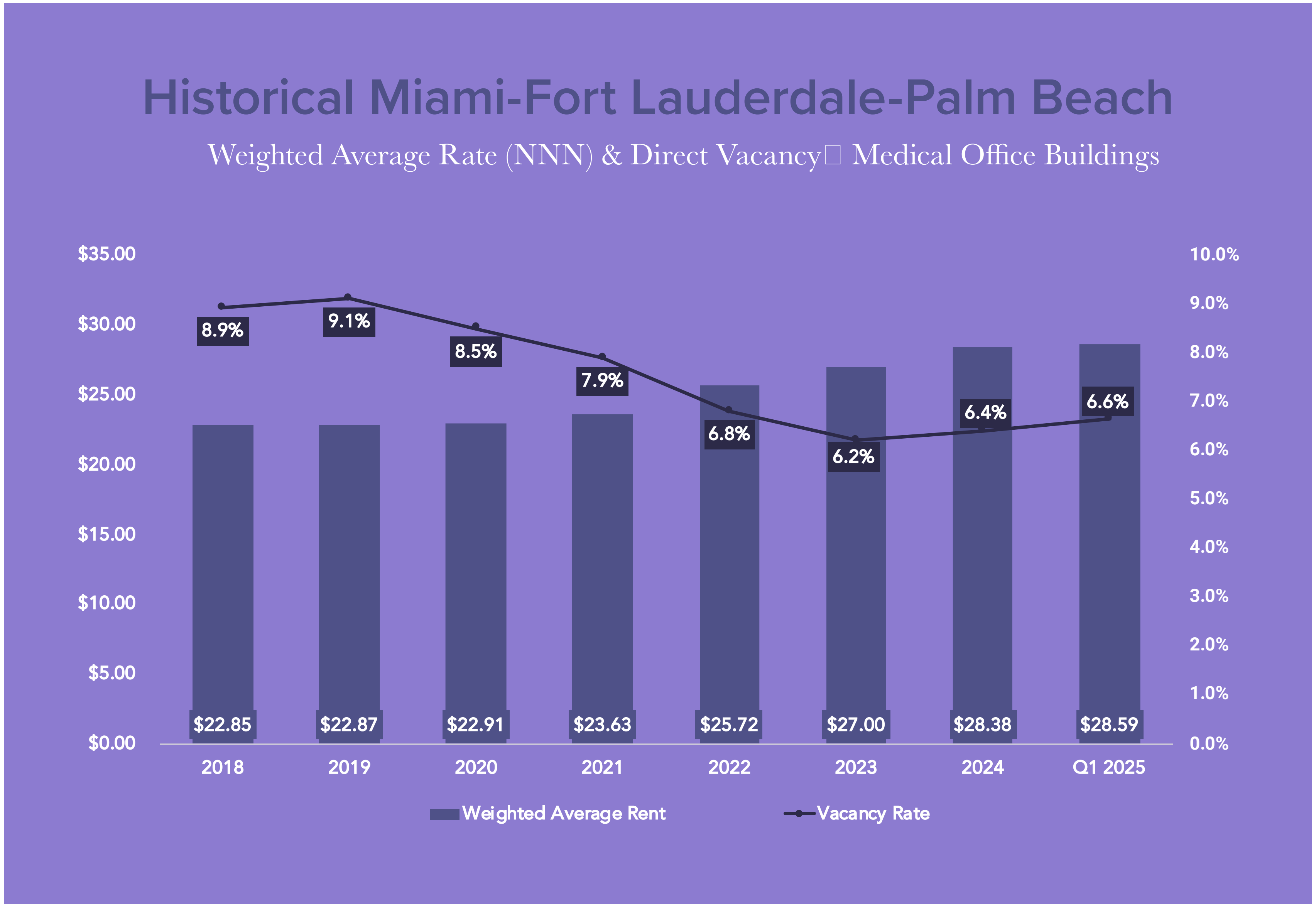
The region's medical office inventory now totals approximately 23.6 million square feet, and occupancy remains tight at 93.6%. Net absorption totaled -47,000 SF for the quarter, with the bulk of the occupancy loss in Broward County. Leasing activity totaled 275,000 square feet for the quarter, representing a 12% increase over last year's quarterly average and 15% above the five-year norm. This upswing aligns with national trends as providers invest in outpatient strategies to serve growing and aging populations in high-growth markets like South Florida.

Rental rates continued their steady upward trajectory, with the regional average reaching $28.59 per square foot NNN—a 2.5% increase year-over-year. Investment activity, however, slowed under the weight of elevated

interest rates and capital market caution. Sales activity started the year slow but strong activity in the second half of 2024 puts total transaction volume at $191 million over the last year. Despite the pullback, pricing remained strong in core markets, reflecting investors' long-term confidence in the stability of medical office assets. Also, overall, investors still remain interested in MOB investments.

Construction remains active, with 1.57 million square feet of medical office buildings underway across the region. In addition to the 1.57 million square feet of medical buildings under construction, there are 1.55 million square feet of medical centers under construction, driven by some of the most transformative healthcare developments in the state. Notable developments include the Sylvester Comprehensive Cancer Center – Kenneth C. Griffin Cancer Research Building in Miami, the UHealth Medical Center at Sole Mia in North Miami, and the continued expansion of Boca Raton Regional Hospital.

With development largely aligned to demand and occupancy holding steady, South Florida's medical office market remains on a stable growth path as the year unfolds.



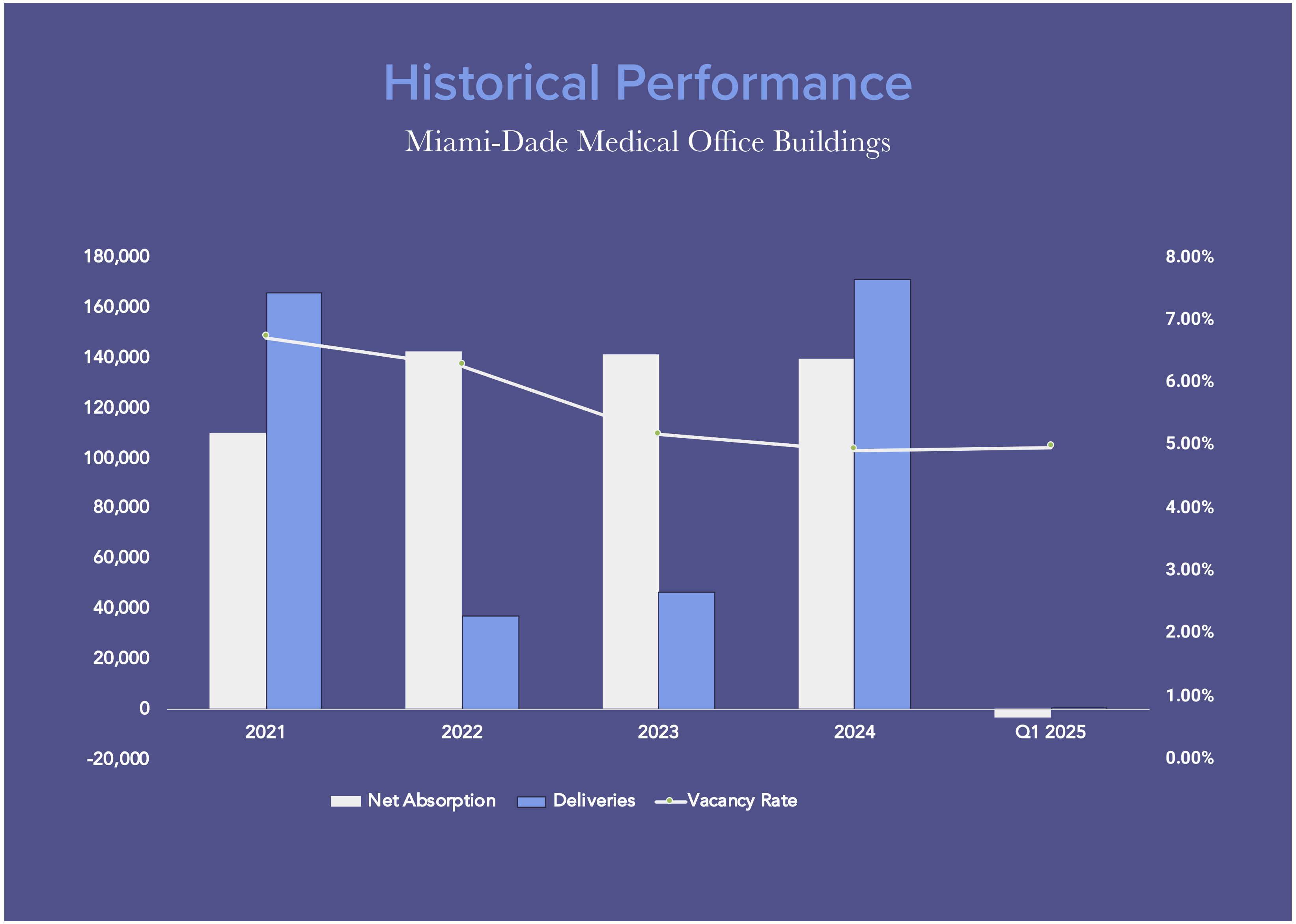
Market highlights.

Miami-Dade continued to lead South Florida's medical office market over the past year despite negligible occupancy loss for the quarter, posting positive net absorption of 140,000 square feet year-over-year, the highest of any county in the region.

This reflects sustained demand from health systems and private operators seeking high-visibility locations in one of the most dynamic healthcare markets in the Southeast. With 10.8 million square feet of inventory and an occupancy rate of 95.0%, unchanged over the prior year, Miami-Dade remains both the largest and the tightest market in the region.

Rents averaged $38.59 per square foot NNN the highest in South Florida, though rent growth was measured at just 1.4% year-over-year. That moderation reflects a market that has already reached premium pricing levels, particularly in corridors like Coral Gables, Doral, and Aventura.

Miami-Dade also leads the region in construction activity,



with 1.37 million square feet underway. Notable projects include the 363,000-square-foot UHealth Medical Center at Sole Mia, set to redefine outpatient care in North Miami, and the 244,000-square-foot Kenneth C. Griffin Cancer Research Building, a cornerstone expansion for the Sylvester Comprehensive Cancer Center. Significant upgrades to Jackson Memorial Hospital and Mount Sinai Medical Center are also underway, reinforcing Miami's status as a hub for clinical and academic medicine.

Investment performance remained comparatively strong, with $55.3 million in sales during the last twelve months, 5% higher than the previous 12-month period. The average price per square foot was around $500 per square foot, with the higher watermark north of $700 per square foot. Cap rates held firm near 6.0%, a sign that institutional investors remain bullish on Miami-Dade's long-term healthcare fundamentals despite broader capital market constraints.

In contrast to its neighbors, Broward County recorded negative net absorption of 105,000 square feet over the past year, indicating a more cautious approach from tenants. Half of the negative absorption occurred in the first quarter.

As a result, occupancy decreased 110 basis points over the prior year, however, landlords continued to push rents modestly, with average asking rates rising 2.6% year-over-year to $26.64 per square foot NNN.

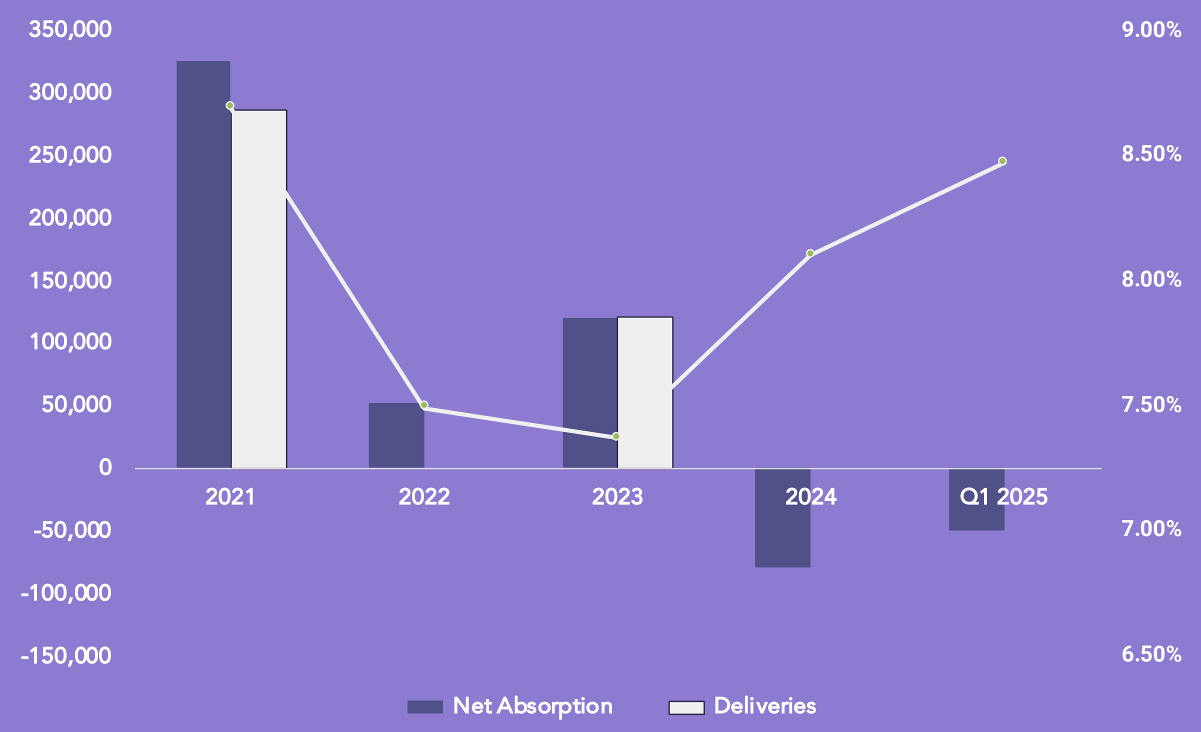
Development activity is subdued, with just 67,500 square feet under construction in smaller projects in Fort Lauderdale, Sunrise, and Pembroke Pines, and no product delivered within the last year. This restrained pipeline could support improved leasing conditions later in the year as demand stabilizes and backfill opportunities are absorbed.

On the investment front, activity was measured. Broward saw $48.4 million in sales volume for the last 12 months, with average pricing near $460 per square foot. Cap rates rose to approximately 8.3%, the highest among the three counties, reflecting heightened investor scrutiny and risk adjustment given the softening in absorption.

Despite the recent slowdown, Broward retains key strengths, including a large suburban population base, proximity to major health systems, and constrained Class A supply. As macroeconomic clarity improves, the market may regain leasing momentum, particularly in West Broward where demographics remain favorable.

Historical Performance

Broward Medical Office Buildings



Palm Beach County delivered positive net absorption of 62,000 square feet year-over-year, signaling demand, and was the only county to record positive absorption in the first quarter.

Occupancy stood at 93.5% across 5.6 million square feet of inventory, up 100 basis points over the prior year. Providers continued to target strategic locations throughout the county, and medical groups remained active in expanding service lines, particularly in high-income coastal areas.

Rents rose 3.2% year-over-year to $27.91 per square foot NNN, the strongest rent growth among the three counties. Limited Class A supply and a stable demand base supported this upward pricing pressure. Construction remained modest, with 115,000 square feet of medical office buildings under construction, in addition to the Boca Raton Regional Hospital expansion, which will enhance the county's inpatient and outpatient infrastructure.

Investor interest was healthy, with $97.1 million in transaction volume during the last year. Assets traded at an average of $426 per square foot, with cap rates around 6.7%. That level of pricing reflects the continued appeal of Palm Beach's affluent demographic profile and its reputation for stability.

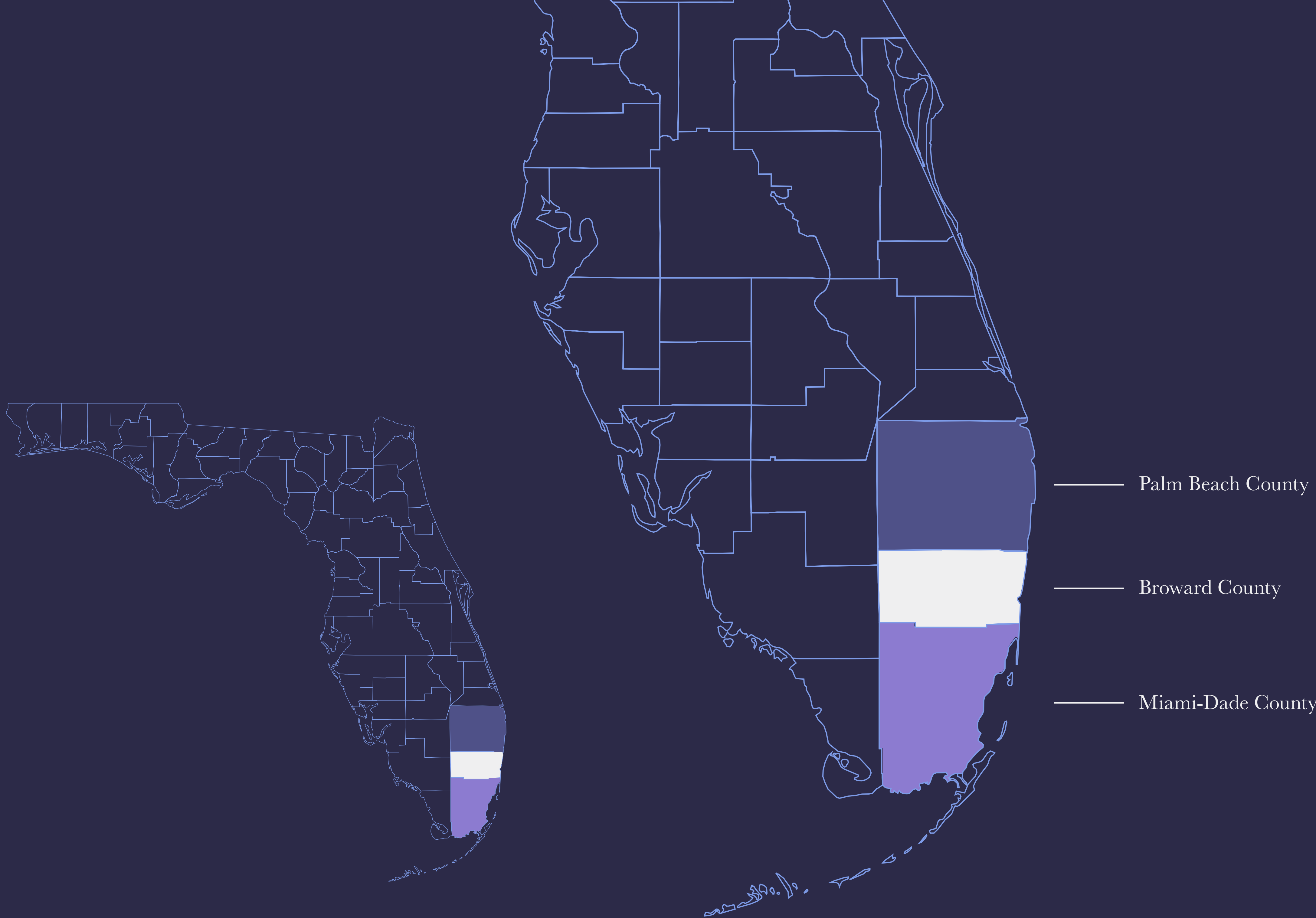
While not as active as Miami-Dade, Palm Beach remains one of the region's most reliable healthcare real estate markets, offering consistent performance and long-term value for both tenants and investors.

The South Florida medical office market heads into the second quarter of 2025 with fundamentals largely intact.

Occupancy across the tri-county area remains above 90%, leasing activity is accelerating in core locations, and rent growth continues at a measured pace. While investor caution may persist due to ongoing capital market headwinds, tenant demand is expected to hold steady, particularly as systems expand outpatient networks and seek efficient, well-located space on an off-hospital campuses.

With construction concentrated in high-demand submarkets, and new deliveries aligned with health system expansion plans, the market is well-positioned to absorb additional space without disrupting balance. Miami-Dade will continue to lead the region in both development and investor interest, while Palm Beach offers reliable performance and Broward positions itself for recovery as leasing velocity normalizes. All signs point toward another year of disciplined, demand-driven growth in one of the nation's most resilient medical office regions.

Submarket Map



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Miami

1450 Brickell Ave, Ste 2400
Miami, FL 33131
305.577.8850

Waterford Business District

701 Waterford Way, Ste 160
Miami, FL 33126
305.577.8850

Fort Lauderdale

201 E Las Olas Boulevard, Ste 1050
Fort Lauderdale, FL 33301
954.395.2112

BLANCACRE.COM