



The Cushman & Wakefield/The Lund Company Medical Office Report is produced annually for the benefit of owners, investors, owner-occupants, and tenants of medical office buildings throughout the metropolitan Lincoln, NE area. Inventory as referenced in the report includes traditional medical office buildings, owner-occupied community clinics, ambulatory surgery centers and specialized outpatient treatment facilities. If a property caters to both office and medical uses, at least one-half of building must be occupied by medical users to be included in the inventory.

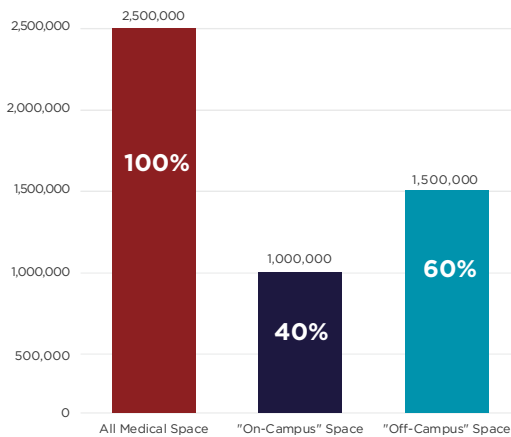
The report is prepared by Richard Secor, Jr., Cushman & Wakefield/The Lund Company, a 42-year veteran of the commercial real estate industry and a member of Cushman & Wakefield's Healthcare Advisory Group. The Advisory Group is a national platform of real estate professionals with a focus on the sales, leasing, valuation, management, and financing of healthcare properties around the United States, including medical office, assisted living, skilled nursing, and hospital facilities.



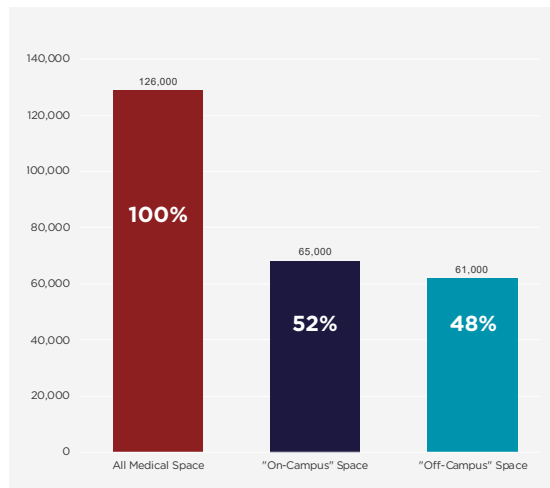
## SPACE AVAILABILITY

### Current Medical Office Building ("MOB") Statistics

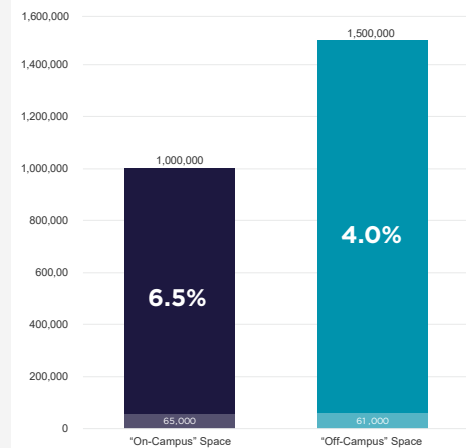
Among 94 buildings recently surveyed, there is approximately 2.5 Million SF of MOB inventory in the metropolitan area. Available space reflects approximately 126,000 SF, or approximately 5% of all medical space. In contrast, nationwide, the average medical office space vacancy approximates 8%. Lincoln, to be sure, has a healthy MOB market. Approximately 40% (1 Million SF) of total MOB space reflects "On-Campus" space, square footage located on hospital campuses; while the remaining 60% (1.5 Million SF) is "Off-Campus" space. Space availability in each category reflects approximately 65,000 SF (6.5%) and 61,000 SF (4%), respectfully.



**Market SF**  
Lincoln, Nebraska



**Market Available SF**  
Lincoln, Nebraska



**Campus Available SF**  
Lincoln, Nebraska

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## NATIONAL INVESTMENT ACTIVITY, TRENDS & PRICING

### *National Investment Activity & Pricing*

MOBs are still considered a favored asset class among all commercial real estate sectors given the strong demand for office space due principally to an aging population needing healthcare services. By 2030, all baby boomers will be older than 65, representing 20% of the U.S. population. This 65-and-older age segment is expected to live longer than ever before, which will undoubtedly result in a rise in healthcare related services. As a result, there remains a strong appetite for “cycle-resilient” real estate investment that medical and healthcare real estate offers. The industry has more favorable occupancy than in any other real estate sector, sitting at 92%. In contrast, the general office market is 80%. Investors are moreover attracted to the “retailization of healthcare, a location emphasis of MOBs in affluent suburban markets that are closer to the patients and to the creditworthiness of tenants. These two attributes continue to drive premium pricing for “Off-Campus” medical buildings.

Investors are now considering a broader range of healthcare users and tenant types, including behavioral health.

Although telehealth has enjoyed a recent surge in popularity, the widespread adoption and use has not substantially altered demand for medical office space. Telemedicine is a great supplement, but not a replacement for traditional medical practice. Physicians will still require medical office space to perform traditional office visits.

Buyer profile continues to transition from a market dominated by institutional and Public/REIT buyers (24%) to one with non-traditional private equity and private investors (62%). The balance of the investor pool for MOBs is users (14%).

Sale transaction volume continues to be down due to limited product availability mainly driven by seller high price “hangover” expectations (unwillingness to sell relative to current market conditions), and cost of debt financing. For some larger institutions to grow their portfolio, mergers with or acquisitions of competitors are an opportunistic way to expand. Physicians Realty Trust (aka DOC REIT) and Healthpeak Properties, for example, completed their merger on March 1st. The value of the combined entity approximated \$21 Billion and involved 52 Million SF.

Capitalization rates have slightly increased. Class “A” and Class “B” “On-Campus” product universally experienced a 5-basis point increase, while Class “A” and Class “B” “Off-Campus” property had a 10-basis point increase, versus a year ago. Current national averages are 5.90% and 6.20% for Class “A” product “On” and “Off-campus”, respectively; 7.60% and 8.30% for Class “B” product, correspondingly.

Despite the cost of financing, the demand for MOBs is expected to remain strong as additional capital rotates from the more volatile office/retail/hospitality sectors to medical office.



## RENTAL RATES & TRENDS

Based on the reported rents, “On-Campus” MOB full-service rental rates range from \$23.50 PSF to \$29.50 PSF with “Off-Campus” \$17.50 PSF to \$38.00 PSF. The surveyed rents generally do not reflect specialty medical space (i.e., surgical, dialysis, etc.) as this space commands a higher full-service rent due to improvement costs. Local rental rates have generally followed national rental rate increases of 2-3%/year.

**“Nationally, Class A and Class B “On-Campus” and “Off-Campus” capitalization rates experienced a nominal increase (5 & 10 basis points, respectively) versus a year ago.”**



## COMPLETED PROJECTS

- The Bryan Health – Southeast Nebraska Cancer Center (**April Sampson Cancer Center, 4101 Tiger Lily Road,**) has opened. The 140,000 SF comprehensive community cancer center provides treatment, care, and counseling for cancer patients. The 10-acre site is part of the 29-acre Bryan Hospital controlled area that may also contain approximately 180,000 SF of future medical office space. The site area will evolve to become “Bryan Health South Campus”. The site abuts additional development ground that someday will contain 180 residential units and commercial space. The entire development area is known as “Grandale South”.



## ANNOUNCEMENTS

- CHI has acquired approximately two acres at **Waterford Estates, 98th & “O” Streets**, with the expectation of constructing a similar sized clinic to its 4055 Yankee Hill Road facility. Preliminary plans include a 2026 opening for primary care, priority care, behavioral health, radiology, and pharmacy services at the east “O” Street facility.



April Sampson Cancer Center



Prototypic CHI Health Clinic