



MEDICAL BUILDING

H2 2025

Houston

Houston

OVERALL VACANCY RATE

10.9%

▼ YOY
▼ Forecast

NET ABSORPTION (SF)

376.9K

▼ YOY
▲ Forecast

UNDER CONSTRUCTION (SF)

1.3M SF

▲ YOY
▼ Forecast

OVERALL ASKING LEASE RATES (NNN)

\$24.93/SF

▲ YOY
▲ Forecast

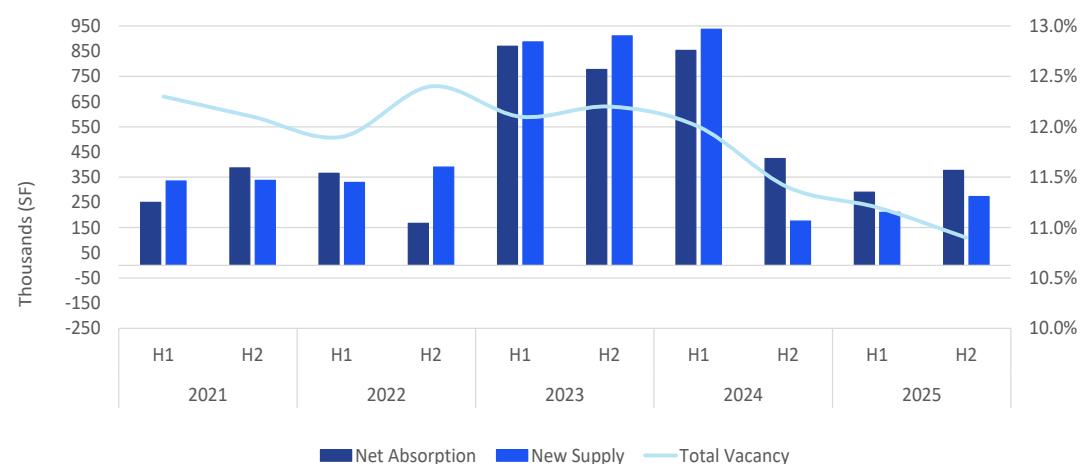
MARKET TRENDS

- Houston's medical office building market saw stronger momentum in the second half of 2025. Net absorption reached 376,898 SF, up 29.8% from the first half, though still 11.0% lower than the same period in 2024. For the full year, net absorption totaled 667,198 SF – a 47.7% decline from 2024's 1.3M SF, yet strong enough to place Houston No. 4 among the Top 50 markets year over year.
- The market's 10.9% vacancy rate is the lowest since 2019, improving by 30 basis points from mid-year 2025 and 50 basis points from year-end 2024.
- New deliveries increased to 272,856 SF, up 29.8% from the first half's 210,205 SF and 55.1% above the 175,896 SF delivered in the second half of 2024.
- Houston also surged to No. 1 nationally among the Top 50 MOB markets for construction activity, with 1.3M SF underway – up from 1.1M SF year over year.
- Asking rents continued their upward trend, with the average NNN rate rising to \$24.93 PSF from \$24.41 at midyear and \$23.93 at year-end 2024.
- Sales activity increased both by dollar value and average PSF from earlier in the year but is down from 2024 totals.

HISTORIC COMPARISON

	25H2	25H1	24H2
Total Inventory (in thousands of SF)	46,695	46,423	46,212
New Supply (in thousands of SF)	272.8	210.2	175.9
Net Absorption (in thousands of SF)	376.9	290.3	423.3
Overall Vacancy	10.9%	11.2%	11.4%
Under Construction (in thousands of SF)	1,257	1,390	1,096
Overall Asking Lease Rates (NNN)	\$24.93	\$24.41	\$23.93

MARKET FUNDAMENTALS



Source: Colliers, CoStar, MSCI Real Capital Analytics, RevistaMed

Executive Summary

BY PATSY FRETWELL, RESEARCH DIRECTOR

Houston's medical office building sector remains a vital component of the region's healthcare landscape, supported by strong demand and steady institutional investment.

Strong leasing activity has kept pace with new deliveries, pushing vacancy rates lower both quarter over quarter and year over year. For fourth quarter, vacancy dropped to 10.9%, the lowest on record since 2019. The uptick is supported by both a positive net absorption of 376,898 square feet – outpacing the 272,856 square feet of new deliveries during the quarter – and a growing construction pipeline. For the year, the medical office buildings sector gained 667,198 square feet of net absorption and delivered 483,061 square feet of new space.

RevistaMed, a national medical property database provider, shows Houston jumping to the No. 1 ranking for medical office square footage under construction among the Top 50 markets and maintaining the No. 4 spot for year-over-year net absorption. The past 18 months have shown slower absorption, likely tied to reduced quarterly completions. Even so, vacancy has continued to slowly decline during the last several years.

KEY DEVELOPMENTS DRIVING GROWTH

Growth remains anchored by strategic expansions from major hospital systems and medical groups, both on- and off-campus.

- Kelsey-Seybold recently opened two new clinics, a 53,925-square-foot facility at 17814 W. Lake Houston Parkway in Atascocita in the Northeast and a 119,682-square-foot Northwest Campus Hub at 19926 Northwest Freeway. Kelsey-Seybold also has another 36,788-square-foot clinic underway in the Fort Bend Town Center project in Missouri City in the Southwest scheduled for a November 2026 opening.

- Houston Methodist has three projects in progress with two in partnership with Legacy Community Health: a 39,200-square-foot facility in Pasadena in the Southeast and a 26,200-square-foot facility in Acres Homes in the Northwest, both to be completed in April 2026. Additionally, a 65,000-square-foot comprehensive care center is underway in Cinco Ranch in the West for completion in early 2026.
- Memorial Hermann currently has three projects under construction: a 51,800-square-foot building in Mont Belvieu in the East set for completion November 2026, a 100,000-square-foot building in Cypress to be complete in April 2026, and a 51,000-square-foot office/freestanding ER in Bridgeland, targeted for completion in September 2026, with the latter two projects in the Northwest.
- Modern Heart and Vascular recently opened a new 96,543-square-foot location at 18835 McKay in Humble in the Northeast.

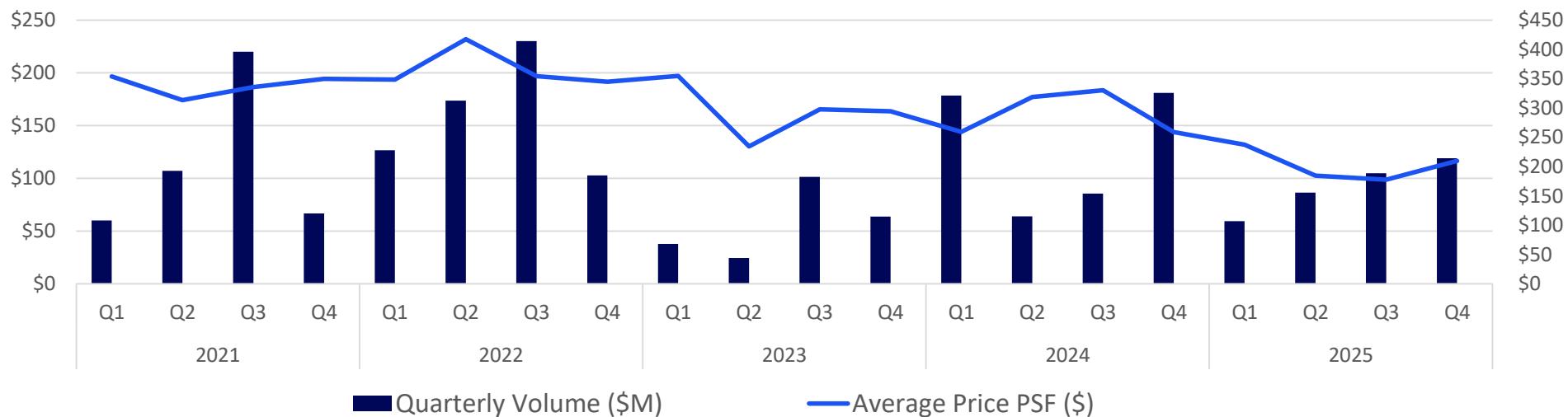
NEW FACILITY TO EXPAND ION DISTRICT

Rice University's real estate arm, in partnership with Lincoln Property Co., plans to build a seven-story, 196,400-square-foot research, lab and office facility in Houston's Midtown area. Rice University is expected to occupy about 30,000 square feet as the lead tenant.

Named The Arc at The Ion, the project will sit within the 16-acre Ion District, where the first building, called The Ion, is 90% leased. The new building will share a plaza with The Ion, which was reimagined from a Sears store. Construction is slated to begin in Q2 2026 with completion targeted for early 2028.

For fourth quarter, vacancy dropped to 10.9%, the lowest on record since 2019.

Houston Medical Office Building Sales Activity



Source: Colliers, CoStar, RevistaMed, MSCI Real Capital Analytics

Sales Transactions

PROPERTY NAME	ADDRESS	BUILDING SIZE	BUYER/OWNER	SELLER	DATE
Imperial Medical Center	1111-1211 Hwy 6	129,819	Lincoln Property Company	Pinecroft Realty	November 2025
1800 W 26th	1800 W 26th	99,480	Broadview Capital	Northwest Doctors Plaza	September 2025
1800 Augusta	1800 Augusta	77,023	Tomas Diaz-Marin	Fuller Realty Interests	November 2025
2575 W Bellfort	2575 W Bellfort	57,246	Partners	Fred Gindy	July 2025
Katy MOB I, II & III	19770 Kingsland Blvd	48,201	PAM Health	Healthcare Realty Trust	December 2025

Source: Colliers, CoStar, RevistaMed, MSCI Real Capital Analytics

Life Sciences Snapshot

Houston is solidifying its role as a life sciences and biotech leader, driven by major investments and research expansion in the country's fourth largest city.

Eli Lilly & Company will invest \$6.5 billion to build a 236-acre manufacturing facility at McCord Development's Generation Park in northeast Houston – the first major pharmaceutical manufacturing investment in Texas. The plant, expected to create 615+ full-time jobs, will produce active pharmaceutical ingredients (APIs) and is slated for completion in 2030. This will complement the park's Center for Biotechnology and its regional biopharma training program with San Jacinto College.

At the heart of this growth, the Texas Medical Center (TMC) – the world's largest medical complex – is developing Helix Park, a 37-acre research campus with five million square feet of collaborative space. Rice University's new biotech venture creation studio, RBL LLC, based in Helix Park, aims to bridge the gap between academia and biotech commercialization. This follows the Rice Biotech Launch Pad, an accelerator which leverages 100+ patents for life-saving technologies.

TMC will debut Innovation Labs@TMC in January 2026 to support startups at its Innovation Factory at 2450 Holcombe Blvd. In the same building, Baylor Genetics recently expanded its footprint by 40% to 81,500 square feet while two new research/education buildings totaling 900,000 square feet are under construction in TMC.

Other notable developments include:

- **Levit Green Phase 1:** Three biotech tenants leased a total 30,000 square feet in Hines' 296,000-square-foot building at 3131 Holcombe within its planned four-million-square-foot life sciences campus nearby.
- **Avance Biosciences:** Launched a Next-Generation Sequencing Center of Excellence at its new northwest Houston campus to advance biologics, cell and gene therapy research.



- **FibroBiologics:** Opened a 10,000-square-foot cell manufacturing facility at 9350 Kirby in Texas Technology Park, focusing on fibroblast-based therapies for chronic disease and tissue regeneration.

Houston's position as a growing life sciences hub continues to strengthen, as highlighted in Colliers' 2026 U.S. Life Sciences Report. The city is increasingly attracting biotech and life science innovators, supported by the globally renowned Texas Medical Center (TMC) and the steady expansion of new life sciences facilities across the region.

Global Stats

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Sources

Colliers | CoStar | RevistaMed | MSCI Real Capital Analytics



\$5.5B

ANNUAL
REVENUE

70

COUNTRIES WE
OPERATE IN

\$108B

ASSETS UNDER
MANAGEMENT

46,000

LEASE AND SALE
TRANSACTIONS

2B

SQUARE FEET
MANAGED

24,000

PROFESSIONALS

Number of countries includes affiliates

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