Medical Outpatient RE

Atlanta · Georgia

Investment Thesis

Medical CRE Specialization -

Local Market Expertise -

January 2026

Investment Thesis Summary

Healthcare Sector Tailwinds	Medical CRE Advantages	Sponsor Expertise	Atlanta Metro Specialization
Aging Population	Long Term Leases	Vertical Integration	Low Cost of Living
Significant Growth of Outpatient Care	High Tenant Retention	Deep Tenant Relationships	Well-Established Healthcare Hub
Increased Access to Insurance	Low Occupancy Cost Ratios	$175M Existing Portfolio	Low MOB Vacnacy
Recession Resistance	Institutional Adoption	Single Market Focus	Positive MOB Rent Growth
Industry Consolidation	Cap Rate Dislocation	Proprietary Deal Flow	Positive Net Absorption

Superior Risk Adjusted Returns

The medical outpatient sector of CRE is significantly undervalued and poised for material growth over the next decade. The asset class exhibits a rare combination of stability and growth potential, driven by favorable healthcare trends, recession resilience, best-in-class fundamentals, and cap rate dislocation.

Through its market and industry expertise, RG Real Estate is uniquely positioned to capitalize on the growth and resilience of the medical outpatient sector in the Atlanta MSA.

Opportunities in Medical Outpatient CRE

Medical outpatient real estate provides the physical space required for treatments that are fundamental and necessary to quality of life. Further, it features longer lease terms, stickier tenancy, and lower occupancy cost ratios than all other commercial and residential asset classes. Despite these strong characteristics, the average cap rate for MOB's is unremarkable relative to retail and industrial, both of which carry significantly higher exposure to discretionary consumer spending and economic fluctuations. **In the Firm's view, this discrepancy shows a dislocation between price and value and presents an opportunity to capitalize on superior risk-adjusted returns.**

	MOB	*Multifamily*	*Industrial*	*Retail*	*Office*
Average Lease Term (Mos)	120	12	75	96	74
Average Occupancy Cost Ratio	4-8%	N/A	N/A	8-12%	N/A
Average Tenant Retention	85%	62%	80%	70%	75%
Median Price per Foot	$289	N/A	$152	$141	$193
Vacancy Rate *(National)*	7.2%	7.1%	7.1%	5.8%	19.0%
Average Cap Rate	7.4%	5.7%	6.4%	7.2%	7.7%

CBRE: 2025 U.S. Healthcare Real Estate Outlook
CBRE: Low Supply, Changing Consumer Preferences Lead to Longer Retail Lease Terms
Compstak:2024 Biannual Industrial Report
Avison Young Office Lease Term
CRE Daily: CRE Market Trends Show Stability and Growth in Q1 2025
CW: MOB Capital Markets Midyear 2025 Update

Office to Medical Conversion - Medical conversions provide a profitable alternative to obsolete suburban office buildings as floor plans, plumbing systems and electrical networks are similar for both use cases. Although tenant buildouts for medical users are costlier, the value growth significantly outweighs the increased tenant improvement costs.

- MOB rental rates typically exceed office rental rates by 20%-40% depending on market.
- While the average cap rate of traditional office shown in the data is comparable to MOB sales (7.7% vs 7.4%), it bears stating that only the highest quality, Class A office properties are trading in the current environment. The buyer pool for obsolete, high-vacancy, suburban office is nearly non-existent, so the true cap rate/value discrepancy between suburban office and MOB is much higher than the data suggests.

Institutional Interest and Portfolio Consolidation: In recent years, real estate institutions have recognized the value in the MOB sector and have pursued exposure via outright purchases, recapitalizations and joint ventures. Notable entrants to the market include Oaktree, KKR, Heitman, Bain Capital and Kayne Anderson. The primary constraint that institutions face is that MOB properties are often too small to be considered individually, and these firms require a portfolio opportunity in order to invest a meaningful amount of capital.

Conversion from Gross to Net Leases - As the MOB sector has matured, it has garnered attention from two highly coveted buyer groups: institutional RE firms and 1031 exchange buyers. While both of these buyer types typically pay higher prices than middle-market investment firms, they also share a strong preference for net leases, as heavy-handed management fits neither of their criteria. Converting leases from FSG to NNN can grow the buyer pool to include these desirable groups, thereby lowering exit cap rates.

Practice Consolidation - Consolidation of independent medical practices by large hospital systems and PE firms has increased dramatically over the last decade, with 47% of practices now associated with a major hospital system and PE influencing 6.5% of physicians nationwide. While the effect on rental rates and cap rates may be difficult to measure, the credit enhancement provided by stronger lease guarantors improves the risk profile of investments, even in scenarios where overall cash flows stay constant.

Atlanta Healthcare Trends

Driven by a "Silver Tsunami" and a supply shortage, Atlanta Medical Office offers a rare opportunity protected by high regulatory barriers, the dominance of the "Big 4" health systems, and a strong payer mix.

Demographic & Economic Engines

Scale: Atlanta is now a 6.4M+ population MSA, and the 65+ cohort is growing 2x faster than the general population[1]. Healthcare employment growing at 2.8% annually vs. broader job growth[7].

Utilization: This specific aging demographic consumes healthcare at 3-5x the rate of the average resident, creating a guaranteed demand floor that other younger markets lack[4].

Barriers to Entry

Regulatory Protection: Georgia is a Certificate of Need (CON) state. Competitors cannot simply build a new surgery center or install major medical equipment across the street without proving a "need" to the state[3,6].

Value Retention: This regulation artificially limits supply and protects the market share of existing assets, making tenant renewal highly likely.

"Big 4" Health System

Credit Tenancy: Unlike fragmented markets, Atlanta is consolidated around four investment-grade health systems: Emory, Piedmont, Northside, and Wellstar[2].

The "Halo" Effect: These systems are aggressively fighting for outpatient market share. Assets located near their established "gravity centers" (like Pill Hill or Midtown) benefit from this turf war, driving rents higher.

Supply Shortage

The Gap: High interest rates in '23–'24 effectively halted new construction starts. Atlanta Medical Office vacancy is holding steady at ~7.2% (Q3 2025)[5] .

The Result: There is virtually no new significant supply delivering in '25–'26 that isn't already spoken for (current pipeline is ~78% pre-leased)[8]. This may force vacancy rates even lower, giving landlords pricing power.

Wealth Migration & Commercial Payer Mix

Better Insurance: The in-migration to Atlanta isn't just volume; it is affluent professionals moving from NY, CA, and IL[9].

Profitability: These residents carry commercial insurance (which reimburses better than Medicare), *making the medical practices in this MSA more profitable* and able to afford higher rents than in lower-income markets.

Generational Demand Meets Constrained Supply

Atlanta Regional Commission: Trends in Metro Atlanta Older Adult Population[1]; Definitive Healthcare: Largest Health Systems in Georgia (Top 10 IDNs)[2]; Georgia Department of Community Health[3]; KFF: Health Care Costs and Affordability by Age[4]; Lee & Associates: Atlanta Medical Office Market Report Q3 2025[5]; Mercatus Center: Georgia CON Program Analysis[6]; PwC Medical Office Real Estate Outlook 2025[7]; Transwestern: Medical Office Market Q3 2024[8]; Visual Capitalist: States Americans Are Moving To (2025)[9]

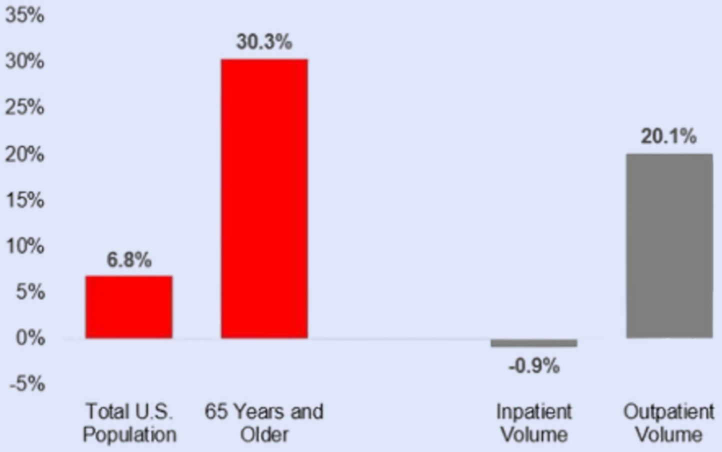
Healthcare Trends

Aging Population - Seniors as a share of the U.S. population are expected to grow by 70% between now and 2040, growing from 8% to 12% of the total population, a gain of 18.5 million. This growth should lead to a substantial increase in healthcare spending over that time as seniors spend about three times more on healthcare than younger age cohorts. These favorable secular tailwinds present a unique window of opportunity for strong medical outpatient demand. Seniors are expected to increase total healthcare outpatient spending by 31% over the ne decade, to nearly $2 trillion.

Medical Outpatient Trends - Increasingly sophisticated technology is enabling more medical procedures to be performed in outpatient facilities. This trend is expected to accelerate, as patients and insurers elect for lower cost treatment options. Healthcare practitioners are also contributing to this trend, as the higher facility fees charged by hospitals make performing procedures in an outpatient setting more cost effective. Beyond the cost considerations, patients are prioritizing the convenience of outpatient facilities over hospitals. This is especially true in sprawling, traffic-heavy, suburban markets like Atlanta, where cross-town commutes can be especially time-consuming.

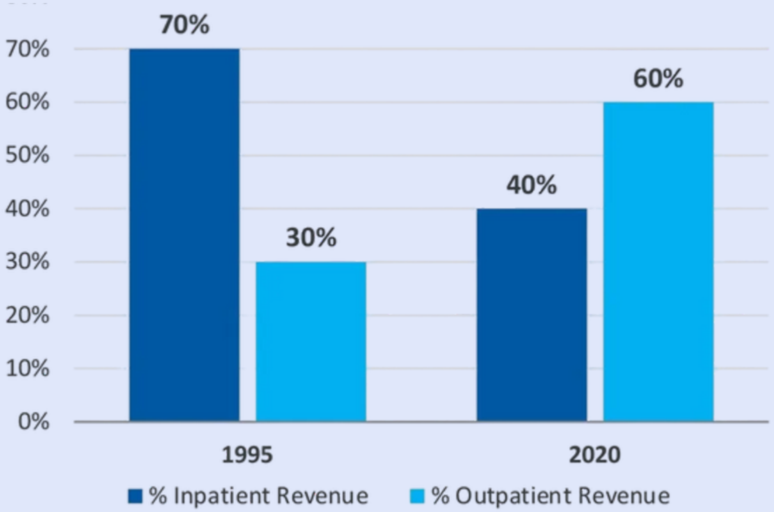
Nuveen: Medical outpatient buildings are well-positioned to outperform

Forecasted Population and Patient Volumes (2020 – 2030)



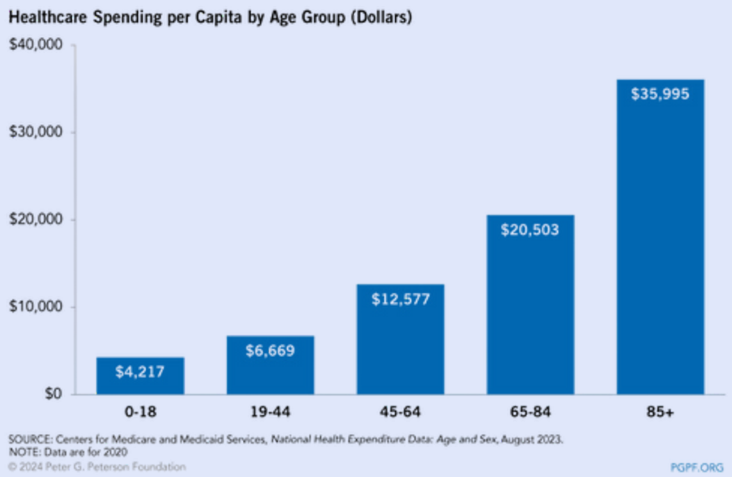
JLL: Healthcare's outpatient revolution: Double-digit growth on the horizon

Percentage Inpatient vs Outpatient Revenue

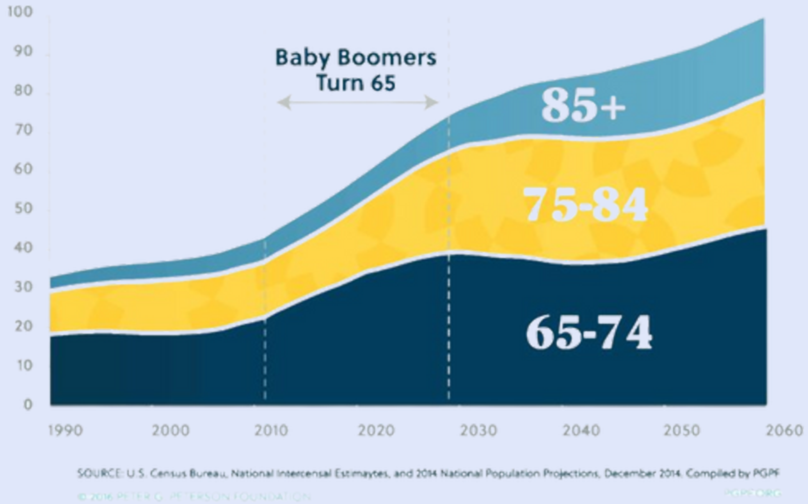


HFMA: Why the physician's office, not the ED, is a health system's true front door

Healthcare Spending per Capital by Age Group (2020)



US Population, Age 65+ (M)



HEALTHCARE TRENDS

Artificial Intelligence - Similar to its anticipated application in other industries, AI is expected to materially impact healthcare, specifically in an administrative capacity. This is projected to accelerate the trend of diminishing administrative footprint in healthcare real estate, allowing for more resource allocation to patient-facing, clinical components. It is possible that AI will be able to meaningfully address the administrative issues which burden the US healthcare system. Currently administrative overhead constitutes an estimated 20%-30% of healthcare spending and 25% of healthcare labor. Conversely, AI's effect on clinical practice and the medical office buildings required to serve patients is expected to be minimal.

Recession Resilience - The necessity of healthcare and insurance-related cost insulation provide protection against economic downturns. This is dynamic can be observed recently, as the healthcare unemployment rate materially trails the national unemployment rate (3.1% vs 4.3% respectively). MOB-based employment grew by 13% between 2019 and 2024, compared to 6% for hospital employment over the same period.

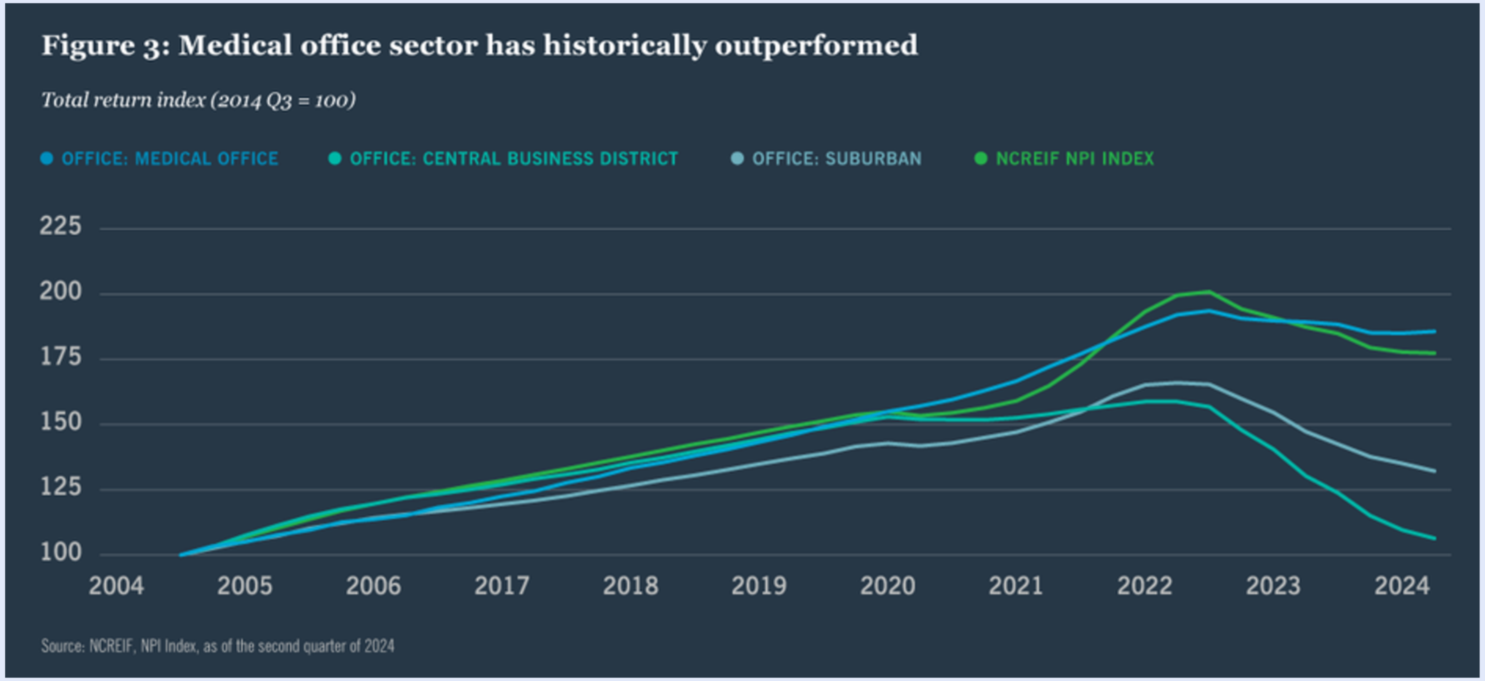
US Bureau of Labor Statistics

"Patients have been transitioning to treatment in outpatient settings due to convenience and affordability as high-deductible plans become more prevalent."

"Unlike many core sectors, the medical outpatient sector is resilient through cycles and demographic tailwinds remain strong as the aging population continues to drive demand."

"U.S. hospital admissions have declined 15% over the past decade, while outpatient admissions have increased by 10%"

"Over the last decade, medical outpatient buildings have outperformed overall real estate. The medical office sector had an 85.7% total return over the past 10 years, outpacing the overall index, which gained 77.4% in the same period."



Nuveen: Medical outpatient buildings are well-positioned to outperform

Institutional Transactions

Portfolio Sales

Transaction	*Parties*	*Property Count*	*Total Area (SF)*	*Occupancy*	*Investment*	*Cap Rate*	*$/ft*	*Date*	Market
Everest Portfolio	Remedy Medical Properties / Kayne Anderson Real Estate	37	202,222	95%	$67M	N/A	$331	6/2025	National
IRA Capital Portfolio	IRA Capital / Oaktree Capital Management	12	600,000	N/A	N/A	N/A	N/A	7/2025	National
Broadstone Net Lease Portfolio	Remedy Medical Properties / Kayne Anderson Real Estate	37	708,000	100%	$252M	N/A	$356	3/2024	National
Ardent MOB Portfolio	Ventas	18	732,000	100%	$204M	6.0%	$279	1H 2022	N/A
Landmark Portfolio	Physicians Realty Trust	14	1,434,672	95%	$750M	4.9%	$523	1/2022	National
Welltower Portfolio	Welltower Inc.	4	N/A	N/A	$885M	5.4%	N/A	11/2019	National

Institutional Transactions

Joint Ventures / Recapitalizations

Transaction	Parties	Date	Invested To Date	Total Commitment	
HRT x KKR	Healthcare Realty Trust / KKR	5/2024	$300M	$600M	Healthcare Realty contributed 12 of its existing properties to seed the JV at a value of $382.5 million, representing a cap rate of approximately 6.6%, with KKR will making an equity contribution equal to 80% of equity amount. HRT will retain a 20% interest and will manage the JV, as well as continue to oversee day-to-day operations and leasing of the properties. KKR has also committed up to $600 million to the JV to pursue additional acquisitions or contributions of high-quality stabilized assets that are a match for its long-term capital base.
HRT x Nuveen	Healthcare Realty Trust / Nuveen	9/2024	N/A	N/A	Nuveen Real Estate's joint venture with Healthcare Realty Trust (HRT) is an asset-recycling partnership focused on outpatient medical office buildings. In 2024 HRT indicated a contribution of about $400M of assets to a new Nuveen JV in two phases at roughly a 6.6% cap rate; the first phase closed with 8 properties valued at $193M in an 80/20 JV (with secured financing for ~40% of value), bringing total Nuveen JV value to $600M+ and helping HRT toward $1B+ of year-to-date proceeds from JVs and sales. The Nuveen–HRT relationship dates back to at least 2021, including a $42.3M acquisition of the three-building Sonterra Medical Park MOBs in San Antonio.
Anchor x BGO	Anchor Health Properties / BentallGreenOak	05/2024	N/A	N/A	BentallGreenOak (BGO) and Anchor Health Properties formed a programmatic JV targeting Class A outpatient medical buildings in high-growth U.S. markets. The venture has acquired assets totaling nearly $400 million, including a $17.9M, 41,000 SF facility in Montclair, NJ, and a 70,000 SF outpatient center in Sarasota, FL. The portfolio is anchored by major providers such as Summit Health, reflecting a focus on institutional-quality assets in strong demographic markets.
Woodside x Heitman	Woodside Health / Heitman	1/2023	N/A	$350M	This joint venture was seeded by a 423k square feet, 10-property MOB portfolio spanning Texas, Arizona, Georgia, and Florida. The occupancy at recapitalization was 94% with a WALT of 4.3 years. The second contribution to the JV was a recapitalization of four property in Texas, Arizona and Nevada totaling 315k square feet.
Evergreen x Bain	Evergreen Medical Properties / Bain Capital	10/2021	N/A	N/A	The first acquisition closed in October 2021, consisting of two MOBs in St. Louis, MO and Providence, RI totaling roughly 72,000 SF. The JV has since expanded to a portfolio of more than 34 assets totaling 1.5 million SF, pursuing both stabilized and value-add opportunities including office-to-medical conversions. While Bain has not disclosed the total equity commitment, public records suggest hundreds of millions in aggregate transaction value to date.

RG Real Estate Competitive Advantage

RG Real Estate ("RGRE") is a full-service, vertically integrated commercial real estate firm based in Atlanta, Georgia, specializing in brokerage, leasing, property management, and investment. The firm's deep local market knowledge and hands-on operating platform allow it to deliver tailored solutions for owners, investors, and tenants alike. The firm provides strategic tenant representation and landlord leasing services that maximize occupancy and asset value. Its property management team oversees day-to-day operations with a focus on efficiency, tenant satisfaction, and long-term asset performance. Complementing these service lines, RGRE's investment platform targets commercial assets, leveraging its operational expertise to create value through disciplined acquisitions, proactive management, and data-driven decision-making. Together, these integrated verticals enable RGRE to provide institutional-quality execution and consistent results for clients and partners.

Vertical Integration - Through its medical-focused leasing and property management service lines, RGRE has cultivated a comprehensive network of medical tenants in the Atlanta market, ranging from single-proprietor practices to the largest hospital systems in the State of Georgia.

Market Specificity - RGRE is headquartered in Atlanta and focuses exclusively acquiring assets in Atlanta and the surrounding MSA. Atlanta is widely regarded as a strong and growing healthcare market, supported my a robust infrastructure of large hospital systems and significant demand for outpatient medical facilities.

Medical Specialization - RGRE has acquired 22 medical outpatient properties in the Atlanta Metro, which it has successfully leased to above-market occupancy. Our integrated medical tenant representation and property management expertise provides the Firm with the insight to evaluate and acquire properties that will appeal to medical tenants.

Proprietary Deal Flow - Through extensive involvement in all facets of Atlanta medical real estate, RGRE is positioned to receive deal flow before the wider market and can act quickly to secure pre-market pricing. **Further, the Firm's familiarity with specific tenants allows RGRE to recommend vacancies to tenants with a high degree of accuracy, often prior to acquiring the property. This "pre-leasing" advantage can significantly reduce the lease-up risk and the improve risk-return profile of potential acquisitions.**

Tenant Co-Investment - Physician groups within the RGRE portfolio often invest equity alongside RGRE, aligning these tenants with the financial success of the underlying properties.

RGRE

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