

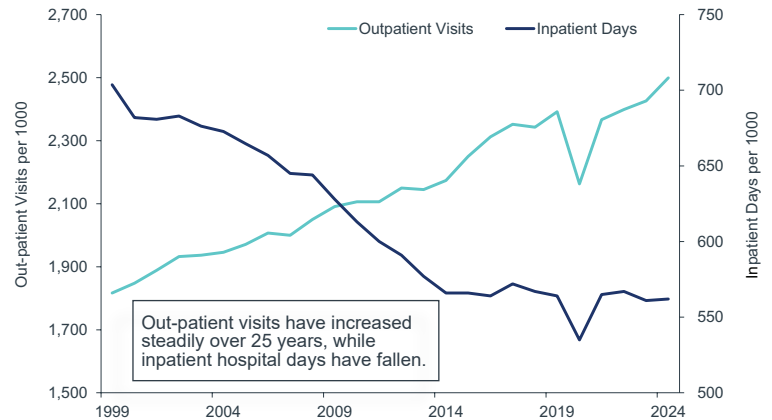
# Clarion Calls: Exploring the Outpatient Era

## From Beds to Visits: The Long-Term Transformation of U.S. Care Delivery

### What You Need to Know

- ✓ Lower-cost settings and improved patient access are driving a shift to outpatient care, where more procedures can be performed annually.
- ✓ Medical office buildings (MOB) benefit from long-term leases, high tenant retention, and essential services, making them less volatile than traditional property types.

**OUTPATIENT VISIT vs INPATIENT HOSPITAL DAYS (1999-2024)**



Source: KFF: Hospital Outpatient Visits per 1,000 Population by Ownership Type, 2025.

### › Aging population appears poised create a multi-decade tailwind for healthcare demand

- The 65+ age group is projected to grow by 17.5% by 2035, and currently accounts for approximately 37% of total U.S. healthcare spending<sup>1</sup>
- Healthcare spending makes up 18% of U.S. GDP, and is projected to grow by 5.8% per year over the coming decade<sup>2</sup>

### › Limited near-term deliveries support occupancy and retention

- MOB construction starts, as a percentage of inventory, are near a 10-year low<sup>3</sup>
- Limited supply and increasing tenant demand has led to record MOB occupancy and steady rent growth<sup>4</sup>

### › Cost efficiency and patient convenience are accelerating outpatient migration

- Average cost per surgical procedure: ~\$3K in ambulatory surgery centers vs. ~\$7K in hospital outpatient departments<sup>5</sup>
- Health systems are adopting a hub and spoke model with vast primary care provider networks and specialty clinics bringing points of care closer to patients

### › Historically stable returns and strong credit reinforce resilience

- Over the past decade and across multiple economic cycles, MOB total returns were among the least volatile relative to other major commercial property types<sup>6</sup>
- Healthcare providers rank as one of the most creditworthy among corporate sectors<sup>7</sup>

### What This Could Mean for Investors

- **Stable income profile:** Long lease durations and high tenant retention could support durable, predictable cash flows
- **Defensive characteristics:** Increasing healthcare demand is less sensitive to economic cycles, supporting occupancy through downturns
- **Attractive risk-adjusted returns:** MOB assets have historically exhibited lower volatility relative to traditional property sector

<sup>1</sup>Federal Reserve Bank of St. Louis: Population age 65 and above for the United States, July 2025. <sup>2</sup>Centers for Medicare & Medicaid Services (CMS): National Health Expenditure Data, 2024. <sup>3</sup>As of 4Q25 <sup>4</sup>JLL Research and RevistaMed March 2026. <sup>5</sup>The American Journal of Managed Care: Privately Negotiated Facility Fees at Ambulatory Surgery Centers and Hospitals, November 2024. <sup>6</sup>NCREIF as of 4Q25 <sup>7</sup>ConnectCRE, December 2024. Past performance is not indicative of future results. This material does not constitute investment advice, nor does it constitute an offer in any product or strategy offered by Clarion Partners LLC and should not be viewed as a current or past recommendation to buy or sell any securities. Any specific investment referenced may or may not be held in a Clarion Partners client account. It should not be assumed that any investment, in any property or other asset, was or will be profitable. Investment in real estate involves significant risk, including the risk of loss. Investors should consider their investment objectives, and it is strongly suggested that the reader seek his or her own independent advice in relation to any investment, financial, legal, tax, accounting or regulatory risks and evaluate their own risk tolerance before investing. There can be no assurance that market conditions will perform according to any forecast.