

2025-2026

HEALTHCARE CONSTRUCTION FORECAST

Tracking the current and future states of the \$69 billion healthcare market: hospitals, outpatient facilities, specialty medical buildings, and medical office buildings.

BY NOVID PARSİ, CONTRIBUTING EDITOR



Of the many drivers powering healthcare construction today, an aging population in need of care tops the list. By the end of this decade, all Baby Boomers—representing one in five Americans—will be retirement age. By 2034, older adults will outnumber children—a first in U.S. history.

“The key driver of current and planned investment

is the aging U.S. population,” says Brian Strawberry, Chief Economist, FMI. A recent CBRE report agrees: “No trend is driving U.S. healthcare demand more than the aging American population.”

Americans are getting older—and living longer. The number of people 85 and older is expected to almost double by 2035 and nearly triple by 2060.

“This cohort spends significantly more annually on



The key driver of current and planned investment is the aging U.S. population.

healthcare than others, and nearly double those aged 65 to 84, driving increasing demand for all types of healthcare facilities,” Strawberry says.

The U.S. population also has been growing at a faster pace, and more Americans than ever have been moving across state borders—two trends that will propel healthcare projects. “Migration across the U.S. to other states and population centers has created a need for capacity expansion to meet the healthcare needs of a growing population,” says Patrick Duke, Healthcare Solutions Leader Americas, Turner & Townsend.

Other factors fueling healthcare construction include technological advances and modernized facilities.

And in recent years, the healthcare construction sector has been racing to meet the rising need. From 2019 to 2024, annual healthcare construction spending rose by nearly 50%, from \$46 billion to almost \$69 billion.

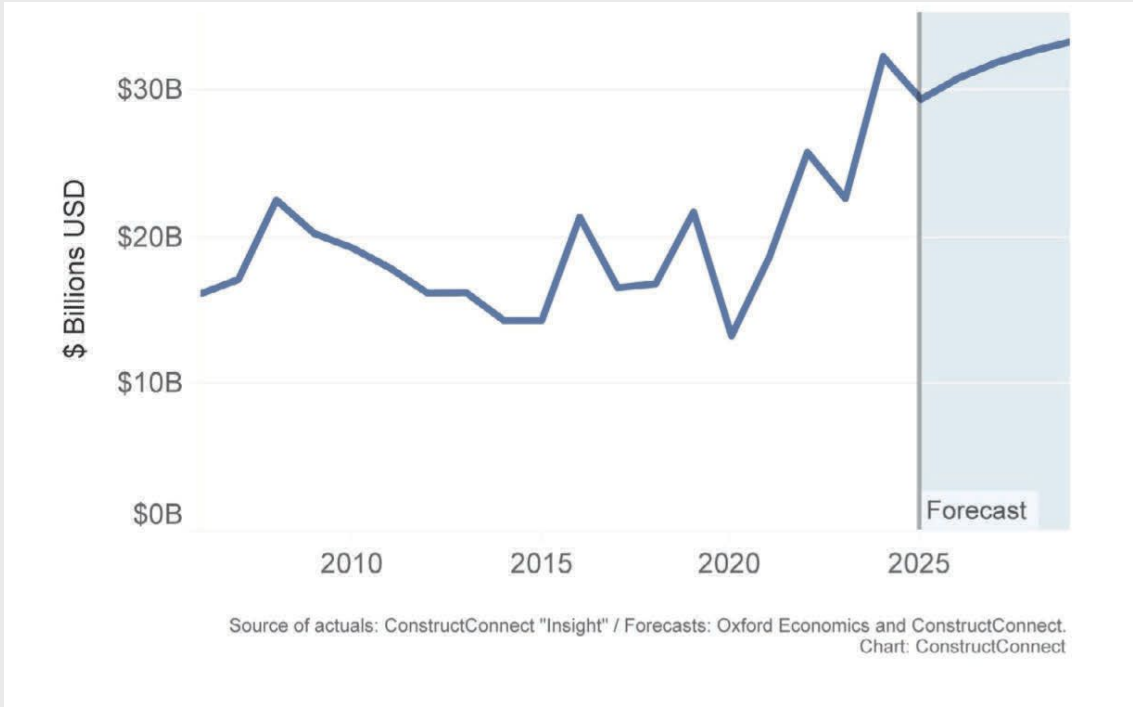
Not surprisingly, then, construction executives were feeling fairly optimistic about healthcare’s future growth just a few months ago. In FMI’s survey of construction executives conducted in

late 2024 and early 2025, more than a third (35%) of respondents thought healthcare construction would improve, the majority (61%) expected no change, and only a small minority (4%) said the sector would worsen in the next quarter. Those results indicated an improvement over the FMI survey from mid-2024—when 33% anticipated improvement, 53% expected no change, and 14% thought the sector would get worse.

Dan Squiers shares a positive sector outlook: “The healthcare construction market is in a state of robust growth and transformation, with this trend expected to continue in the near future,” says Squiers, Executive Vice President, Healthcare, Project and Development Services, JLL.

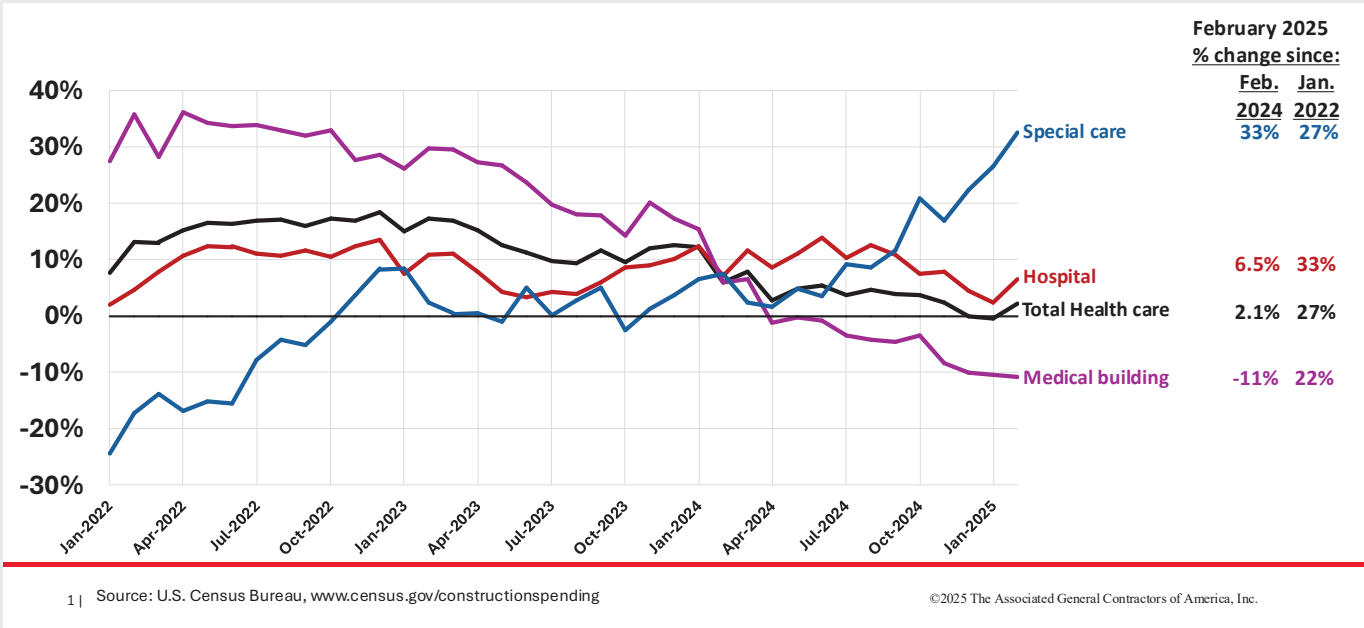
Squiers sees the healthcare market growing amid an increased focus on modular and prefabricated construction methods, telemedicine infrastructure, adaptive reuse of existing spaces, integration of data analytics and AI in facility planning, and enhanced cybersecurity in smart building systems.

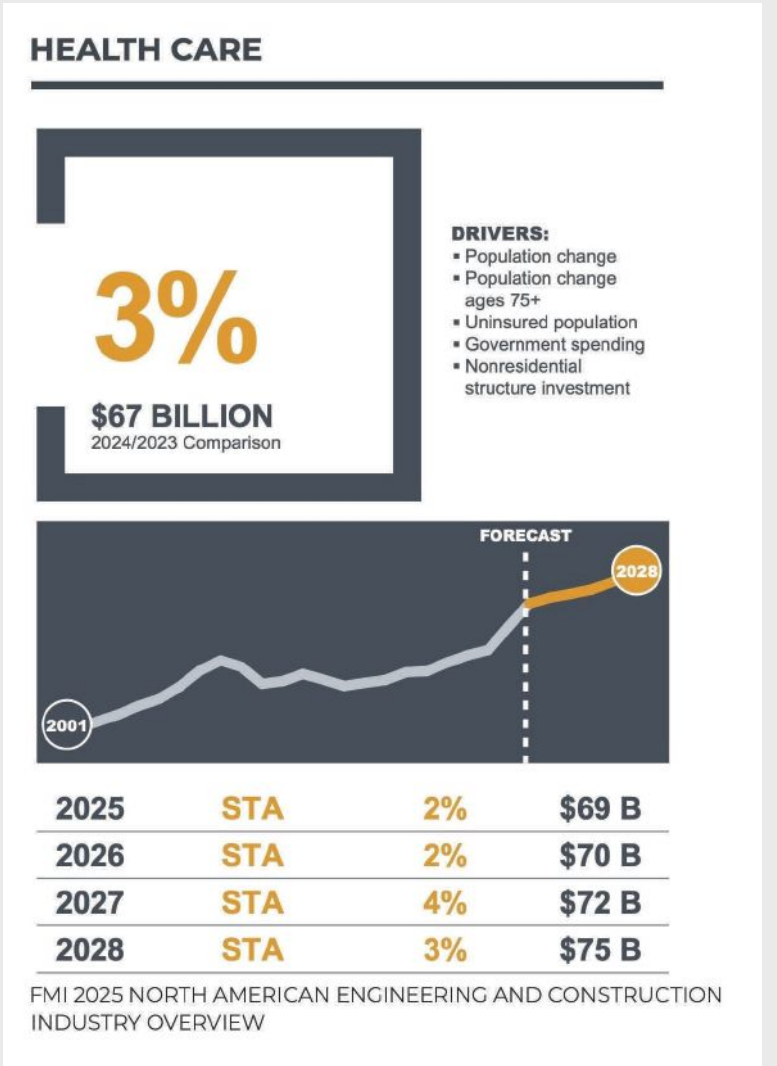
U.S. Hospital and Clinic Construction Starts — ConstructConnect



Private Healthcare Construction Spending

Year-over-year change in healthcare, hospital, medical building, special care construction spending, seasonally adjusted annual rate, Jan. 2022 – Feb. 2025





ADJUSTING EXPECTATIONS

Not everyone is feeling the optimism. In the second quarter of 2025, FMI’s survey of construction executives saw a reversal from the previous quarter’s confident outlook—with the lowest sentiment score for nonresidential construction since 2020.

Increased costs for medical supplies and construction materials will place pressure on health system budgets, impacting construction and capital planning.

The current administration was met with excitement over the prospect of reduced regulations that could help the construction industry “build a lot faster and cheaper,” says Michael Guckes, Chief Economist, ConstructConnect.

That excitement turned out to be fleeting, Guckes says. “Executive orders are changing the world indirectly for construction on an unanticipated basis. So some of the optimism we had at the beginning of this year is starting to lose its luster,” he says. “We’ve seen a very, very week start to this year, and we’ve especially seen some significant weakness when it comes to nonresidential buildings, including hospitals and miscellaneous medical.”

Despite its ongoing tailwinds, healthcare construction’s headwinds are gaining strength. Potential tariffs on imports from some countries, including the country’s three largest training partners (Canada, China, and Mexico), could affect the availability and cost of construction materials and products.

“The tariff effects on the construction industry are anticipated to increase the costs of steel, aluminum, and wood products between 10% and 25% based on initial expectations,” says Martin Beckler, Regional Director of Healthcare Operations, Gordian.

“All types of healthcare construction will face higher costs from tariffs now in effect on steel and aluminum and under investigation for copper. These metals are used both in construction itself and in medical equipment,” says Ken Simonson, Chief Economist, Associated General Contractors of America (AGC). “Many other items used in medical facilities are sourced from China or other countries and cannot be quickly substituted from domestic producers.”

Tariffs aside, an emerging, stricter immigration policy is “perhaps the biggest policy concern for the construction industry,” the American Institute of Architects (AIA) reports. In a construction industry long struggling with a worker shortage, over 25% of the labor force is foreign born, and it’s estimated that over half of these immigrants are undocumented.

Uncertainty also surrounds potential cuts in federal spending that could impact healthcare construction. “We will certainly see some weakness on the government side,” Guckes says.

Healthcare construction funding is a multi-engine plane, Guckes says. And if one of the engines, public sector funding, fails, one question for the industry then becomes, “What happens when we’re no longer publicly supporting multibillion-dollar cancer facilities all across the country?”

The uncertainty is already having an impact on the life sciences market, Strawberry notes. “Major restructuring within federal departments—such as the Department of Health and Human Services

and the Department of Education—along with program adjustments and funding cuts in life science-related research, are expected to reduce capital expenditure demand for facilities,” says Strawberry, also noting a weakened employment outlook and possible tariffs on pharmaceuticals. “This uncertainty has already disrupted investment activity through the first quarter and is projected to continue affecting the life sciences market well into 2025.”

“Many systems will be looking at the potential impacts of government decisions on Medicaid and tariffs on imported materials,” Squiers says. “Increased costs for medical supplies and construction materials will place pressure on health system budgets, and increased uncertainty will make it more difficult to have clear sight for construction and capital planning.”

SLOW DOWN AHEAD?

Amid all the concerns, recent forecasts have dimmed somewhat for healthcare construction—but still remain a bit brighter than overall nonresidential construction.

The healthcare construction sector is “poised for healthy but unspectacular gains this year and next,” according to the AIA’s 2025 consensus construction forecast, which averages forecasts from leading construction economists at Associated Builders and Contractors (ABC), ConstructConnect, FMI, and several others. The healthcare construction sector is expected to grow at 4.3% in 2025, falling to 3.8% in 2026, according to the AIA consensus forecast.

But that’s higher than the anticipated growth for overall nonresidential construction spending. After increasing by almost 20% in 2023 and another 6% in 2024, nonresidential construction spending is projected to slow dramatically—with expected gains of only 2.2% this year and 2.6% in 2026, the AIA reports.

Within the AIA consensus forecast, opinions vary, however. In their spring 2025 forecast, ConstructConnect and Oxford Economics predicted total healthcare construction spending would rise from almost \$69 billion in 2024 to \$72.4 billion in 2025 (5.5% increase) and \$75.3 billion in 2026 (3.9% increase).

But FMI projects a more modest growth for healthcare construction spending of 2% in 2025 and 2026, driven mostly by large hospital and specialty care projects. FMI’s Strawberry expects investment to accelerate to 4% between 2027 and 2029 as the anticipated demand for life sciences-

5 NOTEWORTHY HOSPITAL PROJECTS TO WATCH

PROJECT: Henry Ford Health

LOCATION: Detroit

SIZE: 1.2 million sf

BUDGET: \$2.2 billion

COMPLETION: 2029

Reportedly the largest healthcare investment in Detroit history, the 20-story patient tower will provide 432 all-individual, high-tech patient rooms.

PROJECT: Indianapolis University Health

LOCATION: Indianapolis, Ind.

SIZE: 2 million sf

BUDGET: \$2.3 billion

COMPLETION: 2027

As part of IU Health’s \$4.3 billion new medical campus, the 16-story, three-tower hospital will provide 864 private beds and will consolidate the IU Health Methodist and University hospitals.

PROJECT: Ohio State Wexner Medical Center

LOCATION: Columbus, Ohio

SIZE: 1.9 million sf

BUDGET: \$1.9 billion

COMPLETION: 2026

The inpatient tower will provide 820 high-tech, fully private rooms, and at 26 stories, the hospital will be the tallest structure on the Ohio State campus.

PROJECT: Pennsylvania Joint Laboratory Facility

LOCATION: Harrisburg, Penn.

SIZE: 390,000 sf

BUDGET: \$450 million

COMPLETION: 2029

The cutting-edge lab will bolster Pennsylvania’s capacity for public health, food safety, and environmental analysis. The project also includes a forensics lab for state police.

PROJECT: The University of Texas at Austin Medical Center

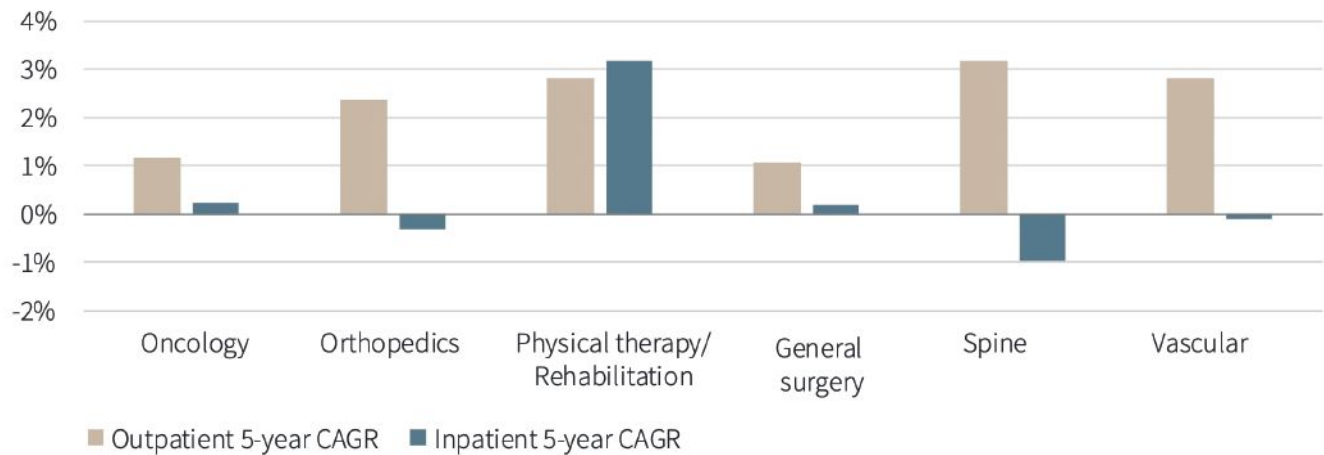
LOCATION: Austin, Texas

BUDGET: \$2.5 billion

COMPLETION: 2030

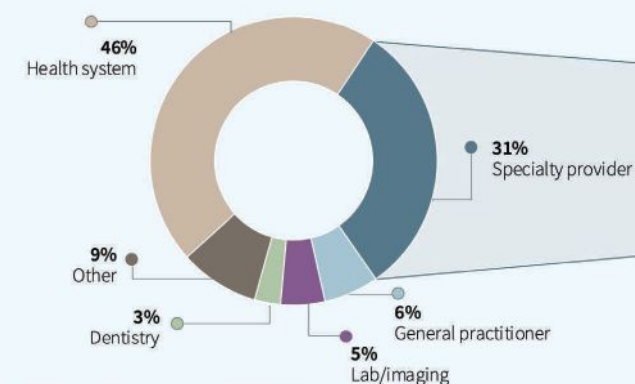
The medical center will include two towers: a cancer center built and operated by MD Anderson and a tertiary hospital built and operated by UT Austin.

Service lines such as orthopedics, spine, vascular and oncology are seeing rapid growth in outpatient settings

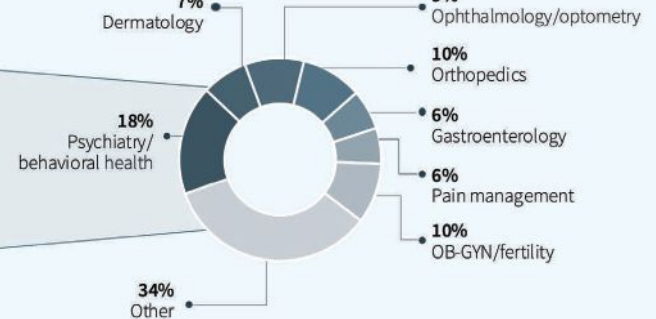


Sources: Advisory Board Market Scenario Planner, JLL Research

Medical office leases signed in 2024



Specialty providers



Sources: JLL Research, Medical office leases >10,000 s.f.

focused medical office facilities rebounds while major hospital projects reach completion.

And Strawberry also expects healthcare construction spending to fare better than total non-residential building construction spending, which he projects will grow by less than 1% this year and expand at a 2.4% compound annual growth rate (CAGR) over the next five years.

THE SUBSECTOR SUBPLOTS

In late 2024 and early 2025, the value of healthcare construction put in place (CPI) hovered around \$69 billion for all healthcare construction, including public investment, and \$54 billion for private healthcare construction, at a seasonally adjusted annual rate, according to the U.S. Census Bureau.

But within the healthcare construction story, the various subsectors each have their own subplot.

AGC's Simonson describes the overall market for healthcare construction as "relatively flat." But, he adds, "This seeming stability masks significant changes among the three project types that the Bureau breaks out." Those three project types are hospitals; medical buildings such as doctors' offices and outpatient clinics; and special care facilities such as nursing homes.

Hospital construction's private and public spending has slowed from an almost 14% growth rate in June 2024 to about 6% in February 2025, when it totaled \$33 billion, according to Simonson's analysis of Census data. Spending on medical buildings has fallen almost 13% to about \$24.5 billion after

hitting a record annual high of more than \$28 billion in late 2023.

And while special care facilities are a comparatively much smaller subsector, with a total CPlP of about \$8 billion in February, this subsector grew by one third from the prior year.

HOSPITALS

In the near future, healthcare construction will be “driven by a surge in hospital projects,” Strawberry says. These include several megaprojects in design or under way, such as the Mayo Clinic’s \$5 billion expansion project in Minnesota, a new \$5 billion pediatric hospital on the UT Southwestern campus in Dallas, and a new \$3.74 billion tower at UC Davis Medical Center in Sacramento, Calif.

Hospitals will need to continue to evolve as they focus on acute and specialized services while also adapting to the needs of an aging demographic, Squiers says. And with so many pressures to expand, modernize, and maintain, hospitals will face “ongoing challenges in balancing capital allocation,” he says.

The question mark surrounding public funding will also weigh on hospital projects. “Going forward,

Outpatient facilities such as cardiovascular, oncology, pediatrics, and urgent care services will continue to flourish. This project type is particularly attractive due to its typically higher reimbursement rates and the steadily increasing demand for specialized medical care.

hospital construction is threatened by cutbacks in federal support for medical research, veteran care, and possible cuts in Medicaid,” Simonson says.

MEDICAL OFFICES AND OUTPATIENT FACILITIES

The healthcare industry has been shifting from inpatient to outpatient care—with a resulting demand for more outpatient and medical office facilities.

In the past five years, healthcare construction has been focusing less on hospitals and more on medical buildings that include offices and outpatient clinics, according to Strawberry’s analysis of Census data. From 2019 to 2024, medical

ADVANCED ACCESS CONTROL FOR TODAY’S HEALTHCARE FACILITIES

Healthcare facilities are some of the hardest buildings to secure properly. They straddle the line between a desire to be welcoming and comfortable, and at the same time employing strict safety, security and privacy protocols.

Salto is a global leader in providing modern access control and visitor management solutions to the healthcare industry. We develop pioneering facility access, identity management and electronic locking technology that ensures seamless, reliable and secure experiences. Our smart access solutions combine the security, protection and flexibility that healthcare facilities need and our antimicrobial silver ion technology in construction contributes to a more hygienic environment.



Salto is a leading global access solutions provider, part of the SALTO WECOSYSTEM.

salto 
INSPIRED ACCESS

salto.us



office investment led the growth in healthcare construction. In 2024, hospitals accounted for almost half (49%) of total investment, down from 58% in 2019. Meanwhile, in the same timeframe, medical office space grew to 40% of the sector, up from 30%.

Today's consumers prefer to access healthcare in more convenient locations outside traditional hospital campuses. "A shift in consumer habits has driven more focus on a retail model of care and advanced ambulatory networks," Duke says.

Moving forward, the "trend of bringing healthcare services closer to residential populations," as CBRE writes, will continue. Lower costs for outpatient procedures also will turn more patients away from hospitals.

"Healthcare will keep moving toward more outpatient and ambulatory care facilities, leading to the construction of smaller, distributed healthcare centers," Squiers says. "The rapid expansion of medical outpatient buildings will persist as healthcare providers aim to secure and expand their market presence while enhancing operational efficiency."

Outpatient facilities such as cardiovascular, oncology, pediatrics, and urgent care services will continue to flourish, Squiers says. "This project type is particularly attractive due to its typically higher reimbursement rates and the steadily increasing demand for specialized medical care."

Despite recent growth, however, medical office investment indicates future weakness, as it ended last year flat compared to 2023, and monthly year-over-year data suggest likely declines in 2025, according to Strawberry.

The medical office market's challenges include historically high vacancy rates, slowing rent growth, and rising cap rates that impact valuations, according to Strawberry. Governmental restructuring, funding cuts in life science-related research, and potential tariffs on pharmaceuticals also are expected to reduce spending on facilities, he says.

New medical building projects are encountering another challenge, Simonson says: "Medical building construction is facing competition from the high vacancy rate of general office buildings, many of which are suitable for conversion to medical offices."

Healthcare systems are repurposing office spaces and vacant retail locations as an alternative to new construction. But, Squiers cautions, these projects require careful analysis to ensure any necessary design and infrastructure upgrades will provide a return on investment.

SPECIAL CARE

Special care such as behavioral health represents a growth area in healthcare construction. Even as increasing numbers of Americans report receiving mental health treatment, the need continues to grow. While almost one quarter of adults get mental health care, it's estimated that only half of people with mental illnesses receive treatment.

The number of new behavioral health and inpatient rehab hospitals has been increasing since 2020, according to Turner

U.S. OVERALL HEALTHCARE CONSTRUCTION SPENDING 2024: \$67.296 B (3%) 2025: \$68.504 B (2%) 2026: \$69.861 B (2%)
NEW ENGLAND (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont) 2024: \$6.971 B (4%) 2025: \$6.638 B (-5%) 2026: \$6.756 B (2%)
MIDDLE ATLANTIC (New Jersey, New York, Pennsylvania) 2024: \$7.245 B (2%) 2025: \$7.488 B (3%) 2026: \$7.865 B (5%)
EAST NORTH CENTRAL (Indiana, Illinois, Michigan, Ohio, Wisconsin) 2024: \$8.223 B (7%) 2025: \$8.697 B (6%) 2026: \$8.317 B (-4%)
WEST NORTH CENTRAL (IOWA, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota) 2024: \$4.216 B (-2%) 2025: \$4.276 B (1%) 2026: \$4.626 B (8%)
SOUTH ATLANTIC (Delaware, D.C., Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia) 2024: \$13.222 B (3%) 2025: \$13.445 B (2%) 2026: \$13.611 B (1%)
EAST SOUTH CENTRAL (Alabama, Kentucky, Mississippi, Tennessee) 2024: \$2.894 B (-8%) 2025: \$2.759 B (-5%) 2026: \$2.851 B (3%)

WEST SOUTH CENTRAL

(Arkansas, Louisiana, Oklahoma, Texas)

2024: \$10.387 B (7%)

2025: \$10.871 B (5%)

2026: \$11.302 B (4%)

MOUNTAIN

(Arizona, Colorado, Idaho, New Mexico, Montana, Utah, Nevada, Wyoming)

2024: \$4.017 B (3%)

2025: \$4.039 B (1%)

2026: \$3.843 B (-5%)

PACIFIC

(Alaska, California, Hawaii, Oregon, Washington)

2024: \$10.121 B (1%)

2025: \$10.290 B (2%)

2026: \$10.691 B (4%)

& Townsend. Construction starts for outpatient behavioral health facilities were up 40% in 2024 compared to 2019, according to JLL. In 2025, over 4.5 million sf of behavioral health projects are expected to break ground—55% higher than the 2.9 million sf that broke ground in 2024, JLL reports.

And the subsector should continue to follow an upward trajectory. “The behavioral health market will see significant growth in the next eight to 10 years,” Squiers predicts.

“Special care facilities may continue to thrive as they are cheaper and quicker to build and easier to convert to other uses,” Simonson says.

A REGIONAL BREAKDOWN

In 2025, healthcare construction spending is expected to be strongest in the East North Central and West South Central states, with investment growth projected around 7%, according to FMI’s CPiP forecasts. Over the next five years, growth likely will shift to the West North Central and Middle Atlantic regions, which FMI anticipates will lead the nation in growth.

In contrast, New England and East South Central states are expected to see declines this year, and the Mountain region could see below-average performance over the longer term, Strawberry says.

The following tables provide a national and regional healthcare construction spending breakdown, per FMI. +

THE SAME GREAT STORY WITH A BETTER START

Twenty years ago, CS was the first manufacturer to launch a complete PVC-free wall protection line, Acrovyn®. Recently, we hit another milestone when we began offering Acrovyn with post-consumer recycled content.

To reduce Acrovyn’s embodied carbon, we switched our resin to utilize post-consumer PET bottles and food-grade single-use plastics. This innovation allowed us to enhance material health while maintaining the performance characteristics that Acrovyn is known for.

The new formula incorporates up to 50% recycled single-use plastics. Now, one sheet of Acrovyn with Recycled Content keeps as many as 130 plastic water bottles out of landfills.



We’re proud to be pursuing better, and we hope you’ll join us.

c-sgroup.com