

SECTOR SPOTLIGHT SERIES:

INPATIENT REHABILITATION FACILITIES

UPDATED 2026

IRF

NEWMARK

U.S. HEALTHCARE CAPITAL MARKETS

INPATIENT REHAB: A POST-ACUTE SECTOR FINDS THE FAIRWAY

As healthcare real estate has firmly cemented its place as an institutional alternative asset class, capital allocators have increasingly strived to identify healthcare property types outside of traditional medical outpatient and seniors housing to grow exposure and deployment into the healthcare sector. Inpatient rehabilitation facilities (“IRFs”) have become an attractive landing place for investors and lenders seeking attractive risk adjusted return compared to medical outpatient facilities, but with many similar tailwinds and underlying sector fundamentals that favor the IRF sector long term. In this report, we provide a snapshot of the Inpatient

Rehabilitation Facility sector and its role within the healthcare delivery continuum, as well as cover updated trends and themes observed within the IRF real estate investment market.



DEFINING THE MARKET

Also referred to as acute care rehabilitation centers, Inpatient Rehabilitation Facilities provide full-time nursing care and intensive rehabilitative and occupational therapy in a hospital-like environment for patients recovering from a wide variety of medical issues including strokes, brain injuries, or traumatic lower body bone fractures. Patients are typically treated by a multidisciplinary team of physicians, nurses and therapists with the intent to regain physical abilities and return home.

IRF’s are considered to be a separate facility from Long Term Acute Care Hospitals (LTACH’s) and Skilled Nursing Facilities (SNF’s), and are the favored sub-sector for institutional real estate investors within the post-acute spectrum.. The differences between these facilities center around complexity of care, cost, specialist oversight and level of therapy provided. A significant difference is that IRF patients are generally in transition, and the majority of patients are discharged to the home following an IRF stay, whereas LTACH and SNF patients can include longer-term patients requiring ventilator assistance or who are under end-of-life care. IRF patients have a shorter average length-of-stay than do LTACH and SNF patients. They should also be analyzed separately from behavioral health facilities that offer inpatient rehabilitation related to psychiatric and addition conditions.



THE ROLE OF IRF IN THE HEALTHCARE CONTINUUM OF CARE

WHAT CONDITIONS REQUIRE INPATIENT REHABILITATION?

Below are the most common reasons a patient will enter inpatient rehabilitation:

- ✓ Stroke
- ✓ Hip / Femur Fracture
- ✓ Spinal Cord Disease
- ✓ Traumatic Brain Injury
- ✓ Nervous System Disorder
- ✓ Joint Replacement & Orthopedic Surgery Recovery

ALPHABET SOUP, CLINICAL COUSINS, BUT VERY DIFFERENT: IRF VS LTACH VS SNF

For real estate investors, IRF continues to be the favored sub-sector within the post-acute care landscape. The main differences between Inpatient Rehab, Long Term Acute Care, and Skilled Nursing Facilities relate to the following aspects:

	 INPATIENT REHABILITATION FACILITY (IRF)	 LONG-TERM ACUTE CARE HOSPITAL (LTACH)	 SKILLED NURSING (SNF) (REHAB PORTION ONLY)
Complexity of Medical Care	Moderate	Highest - Patients often on ventilators, etc	Moderate
Average Length of Stay	8-16 Days	25-30 Days	20-38 Days
Level of Therapy	Highest- Minimum 3 hours per day of physical, occupational and speech therapy	Highest	Moderate - 1-2 hours per day of physical, occupational and speech therapy
Clinical Staffing	Lowest - Physicians on staff, but care management overseen by nurse and therapist staff; physician visit mandatory every 30 days	Highest – full time physicians with daily patient visits	Moderate - Physicians on staff, but care management overseen by nurse and therapist staff; physician visit typical 3 times per week
Perceived Reimbursement/ Legislative Risk	Lowest	Moderate	Highest
Nurse:Patient Ratio	1:2 - 1:3	1:5	1:6 - 1:7
Cost	Moderate	Highest – Due to the complexity of clinical services and patient needs	Most Cost Effective

INPATIENT REHABILITATION FACILITIES BY-THE-NUMBERS

1,221
LICENSED IRFs
IN THE UNITED STATES

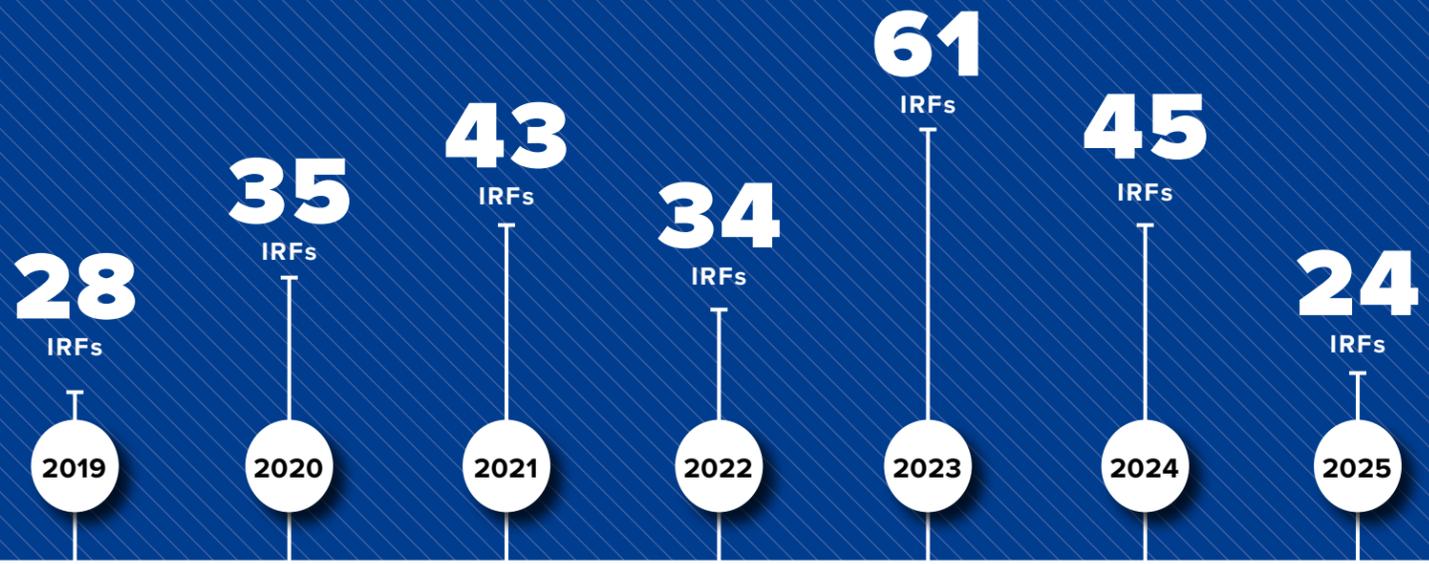
FREESTANDING: ~30%
HOSPITAL-BASED: ~70%

**OWNERSHIP
BREAKDOWN:**

FOR PROFIT: 536
GOVERNMENT: 100
NON-PROFIT: 577
PHYSICIAN: 8

THE TREND LINE: NEW IRF CERTIFICATIONS

270 NEW IRF CERTIFICATIONS
(2019 - 2025):



LIFEPOINT AND EL CAMINO HEALTH
IRF SUNNYVALE, CA

52 BEDS | 64,000 SF
DEVELOPER: PMB
FINANCED: \$70,000,000



13
DAYS
AVERAGE LENGTH OF STAY
ORTHOPEDIC CASES: 8 DAYS



71
YEARS OLD
AVERAGE
PATIENT AGE



THE PATIENT PATH

PATIENT ADMISSION SOURCES:

#1

ADMITTED FROM
ACUTE CARE HOSPITAL

#2

ADMITTED FROM
PHYSICIAN OFFICES/
COMMUNITY

#3

ADMITTED FROM
SKILLED NURSING (SNF)

PATIENT DISCHARGE DESTINATIONS:

#1

DISCHARGE TO THE
COMMUNITY/HOME

#2

DISCHARGE TO
SKILLED NURSING (SNF)

#3

DISCHARGE TO
ACUTE CARE HOSPITAL

SIGNIFICANT SECTOR TAILWINDS



“The Silver Tsunami” - Strong demographic trends driving patient demand



Patient needs are centered around high-acuity, non-discretionary, and non-elective conditions



Inpatient Rehab Facilities are designed and operated to provide cost-effective care for patients in transition or “step down” from the acute care hospital before returning home



COVID-19 has reinforced IRF as a preferred post-acute setting in the healthcare continuum



Continued Medicare reimbursement, which is the primary targeted payor source for most IRFs, increases attracting operators and capital into the space



Growing popularity of Joint Venture partnerships with acute care hospitals provide consistent patient volumes and synergies for integrated care delivery



THE OPERATIONAL LANDSCAPE

LARGEST IRF OPERATORS

Encompass Health
(NYSE: EHC)

166
IRFs

Lifepoint Health

50
IRFs

PAM HEALTH

70
IRFs

Select MEDICAL

36
IRFs

ERNEST HEALTH
We are passionate patient caregivers

36
IRFs

NOBIS REHABILITATION PARTNERS

22
IRFs

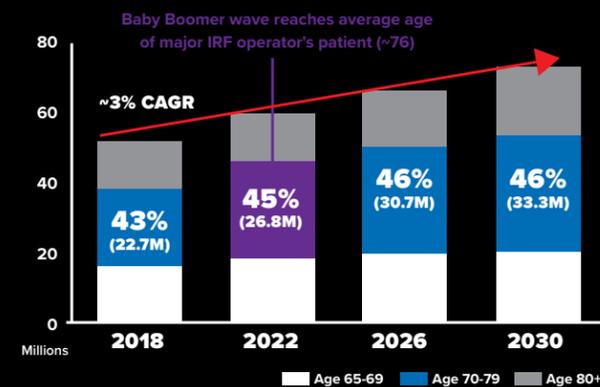
FIGURES AS OF JANUARY 2026



Demand continues to benefit from a demographic tailwind: growth in the Medicare beneficiary population

- ✓ The growth rate of Medicare beneficiaries increase to an ~3% CAGR in 2011, as “Baby Boomers” started turning age 65.
- ~ 10,000 Baby Boomers turn 65 each day
- ✓ The 4-year CAGR for the population in one major IRF operator’s average Medicare patient age range is ~5%

+ PROJECTED POPULATION OF AGE 65+



+ CAGR (POPULATION GROWTH)

AGE	2018 TO 2022	2022 TO 2026
65-69	2.6%	1.6%
70-74	3.7%	2.5%
74-79	5.0%	4.9%
80+	2.4%	3.6%
TOTAL	3.3%	2.9%



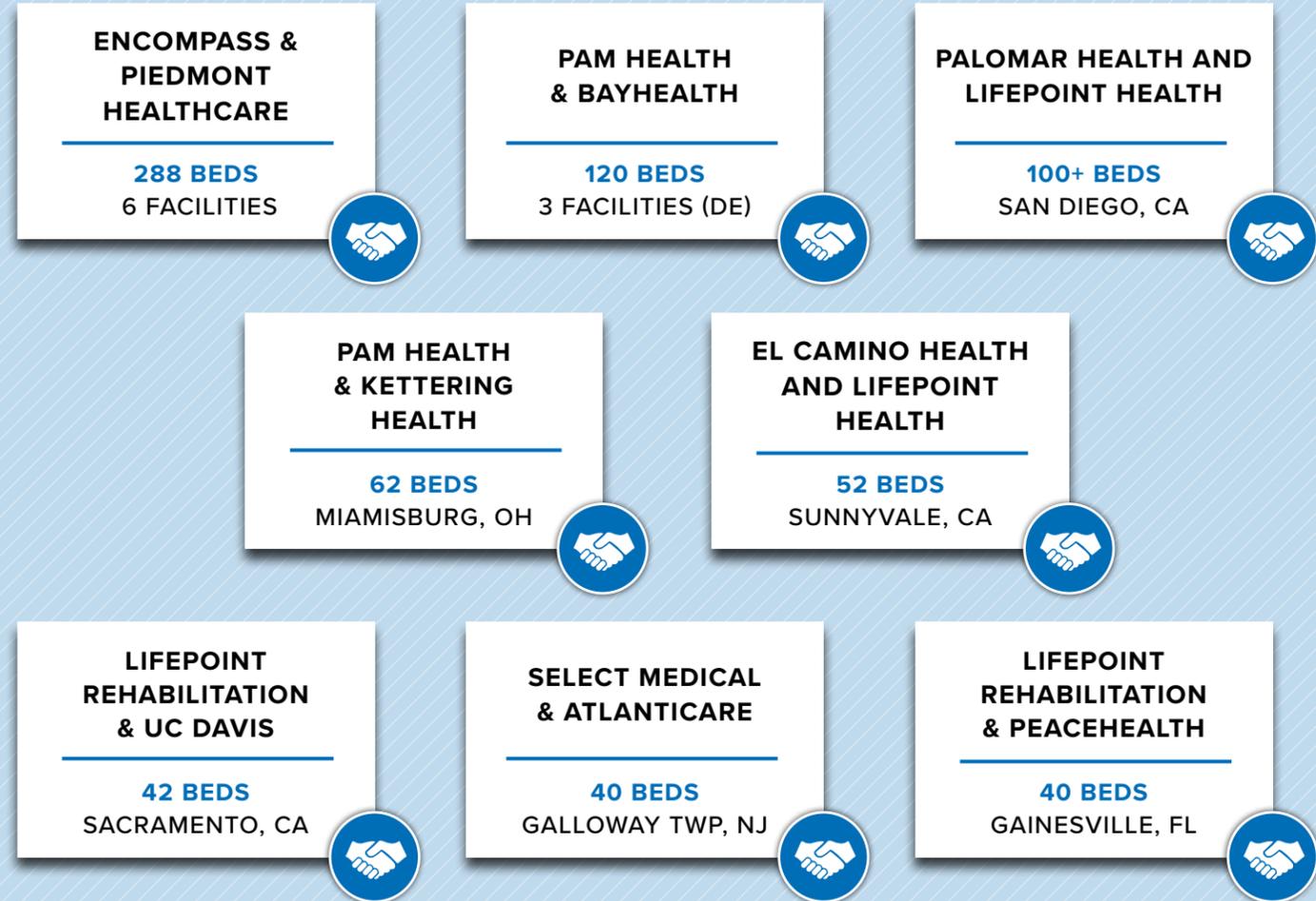
N2W HOSPITAL PORTFOLIO NATIONWIDE
170 BEDS | 200,000 SF
DEVELOPER: NEW ERA COMPANIES
SOLD: \$137 M

KEY OPERATIONAL TRENDS

JOINT VENTURE PARTNERSHIPS WITH HEALTH SYSTEMS

IRF operators have increasingly sought out joint venture partnerships with health systems as a key expansion strategy. Encompass, the country's largest IRF operator, has over 60 joint ventures in place with major health systems.

REPRESENTATIVE JV ACTIVITY



IRF INVESTMENT SALES MARKET SNAPSHOT

\$555.2M

2025 SALES VOLUME
(16% YOY INCREASE)

7.11%

AVERAGE CAP RATE

\$479.7M

2024 SALES VOLUME

\$776,000

AVERAGE PRICE PER BED

\$739

AVERAGE PRICE PER SF

INDUSTRY OVERVIEW

MEDICARE 2023 SPENDING

\$1,030B

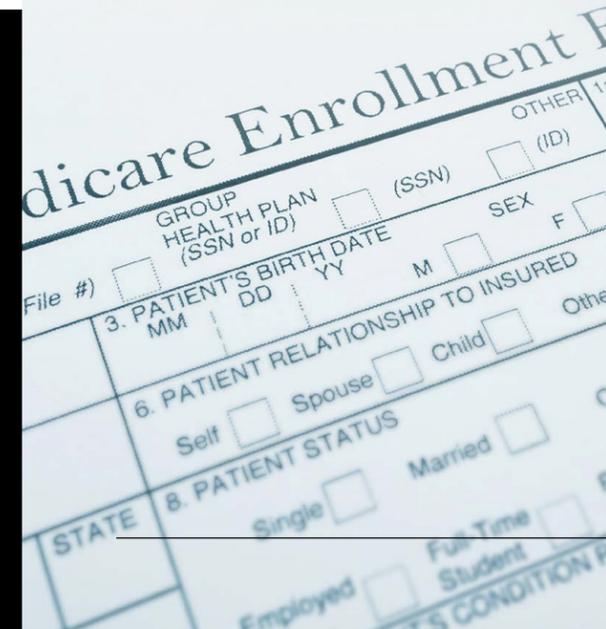
TOTAL MEDICARE SPENDING

\$9.6B

MEDICARE IRF SPENDING

\$565B

POST-ACUTE CARE MARKET



IRF DEVELOPMENT LANDSCAPE

THE IRF DEVELOPMENT TIMELINE



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\$40B MEDICAL OFFICE CAPITAL MARKETS TRANSACTION VOLUME IN 2020-2025

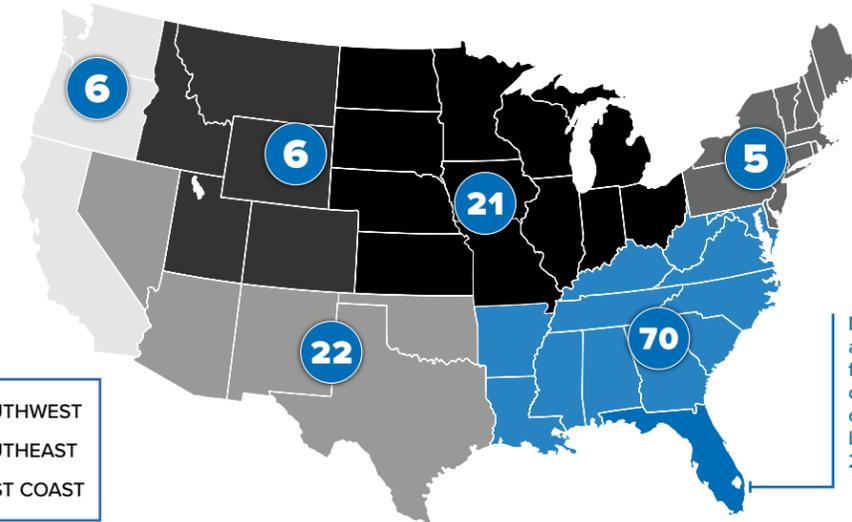
\$18.4 BILLION
SALES & RECAPITALIZATIONS

\$13.3 BILLION
JOINT VENTURES

\$8.4 BILLION
DEBT PLACEMENTS

130
OF NEW IRFs
2023-2025

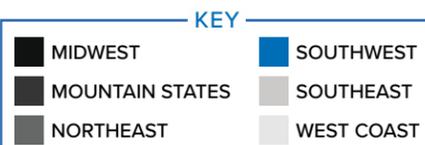
NEW DEVELOPMENT TRENDS WHAT'S BEING BUILT AND WHERE?



Florida alone accounted for for over 35% of new IRF certifications between 2023-2025

OWNERSHIP BREAKDOWN:

FOR PROFIT: 92
NON-PROFIT: 31
GOVERNMENT: 7



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U.S. HEALTHCARE CAPITAL MARKETS

THE LEADING IRF CAPITAL MARKETS ADVISOR

\$1.0B+

2025 IRF TRANSACTION VOLUME

1,020
TOTAL BEDS

1,110,000
TOTAL SQUARE FEET

22
HOSPITALS

14
OF STATES

SELECT ACTIVE DEVELOPERS



ANCHOR
HEALTH PROPERTIES

MedCore
PARTNERS

PMB
ADVANCING HEALTHCARE REAL ESTATE

RYAN

THE SANDERS TRUST
Strategic Healthcare Properties Nationwide™

HICKS
ventures

New Era

Catalyst
healthcare real estate

RETHINK
REALESTATE

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