

# 2Q2018

## Medical Office Report

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and

**Randy Horning, MSRE** discusses the Medical Marijuana Program in New Jersey

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# Medical Office 2Q'18 Market Report



Medical Office  
Market

11-13 Sunflower Avenue, Paramus

## At a Glance...

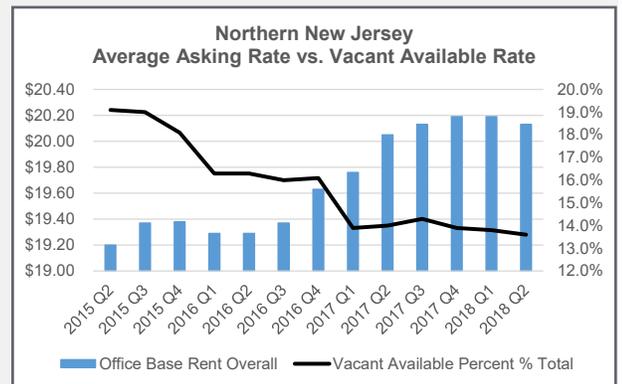
- There are currently 2,209 medical buildings in Northern New Jersey, which consists of 12 counties, representing 32,736,223 square feet.
- The Bergen County market accounts for 326 (15%) of those medical buildings or 4,435,870 square feet.
- Average asking rates ended the quarter at \$20.13 per square foot base rent in Northern New Jersey compared to \$24.02 per square foot base rent in Bergen County.

## Market Update

The Northern New Jersey market saw over 204,000 square feet leased in the second quarter of 2018. Average asking rates ended the quarter at \$20.13 per square foot. Compared to the previous quarter, rates are down \$0.06 per square foot and compared to the second quarter of 2017, rates are up \$0.08 per square foot. Vacancy at the end of the quarter was 13.6%. The rate is down both 0.2% from the previous quarter and down 0.4% from the second quarter of 2017. Net absorption accounted for over 18,000 square feet.

The Bergen County market saw over 39,000 square feet leased in the second quarter. Average asking rates ended the quarter at \$24.02 per square foot, which are up \$0.26 per square foot from the previous quarter and up \$1.26 per square foot from the second quarter of 2017. Vacancy ended at 9.2%, down 0.2% from the previous quarter and down 1.7% from the second quarter of 2017. There was over a negative 3,800 square feet absorbed.

Virtua Health recently announced they were negotiating to add 13 ambulatory centers across New Jersey according to a May 9th NJ Biz article. They want to expand through one-room surgery centers. Virtua Health was the first to have a freestanding surgery center 30 years ago and they treat 110,000 surgical cases per year.



## Top Transactions for 2Q'18

### SALES

1030 Saint Georges Avenue, Avenel  
57,337 sf sold for \$8,450,000  
**Buyer:** Peter Shah  
**Seller:** Virginia Gardens LLC

11-13 Sunflower Avenue, Paramus  
23,600 sf sold for \$4,700,000  
**Buyer:** Hye Ruyn Chin  
**Seller:** Yumin Management Corporation

### LEASES

17,073 sf - 1200 Route 22 E, Bridgewater

11,440 sf - 2137 State Route 35, Holmdel

8,000 sf - 876 Kinderkamack Rd., River Edge

7,000 sf - 631-645 Grand St., Jersey City

\*Please see page 4 for NAI Hanson Transactions.

# New Jersey Out-of-Network Bill Intended to Enhance Consumer Protections and Eliminate Surprise Changes

Medical Office  
Market

By: Deborah A. Nappi, CPA, MST



On June 1, 2018, Governor Murphy signed The New Jersey Out-of-Network Bill (Out-of-Network Consumer Protection, Transparency, Cost Containment and Accountability Act) into law. The bill has brought much controversy and debate within the State of New Jersey over the past eight to ten years without much movement. However, during the month of April the bill gained resurgence and passed both houses of the Legislature despite strong opposition.



The intent of the bill is to protect patients from the surprise bills from out-of-network providers when undergoing medical procedures or visits to local emergency rooms that they had no choice in selecting. The bill imposes notification and disclosure requirements regarding out-of-network providers and their respective fees prior to the patient undergoing such procedures or care. Healthcare facilities will be required to provide lists of their standard charges of their services as well as the health benefit plans in which they participate either in writing or via their website. Health care professionals who are out-of-network are required to provide an estimate to the patient as to the cost of the care to be provided and the patient's financial responsibility for the care. Additional disclosure requirements are required by physicians who utilize other physician services for their patients' care and coordinate said services such as: anesthesiology, laboratory, pathology and radiology.

Unless a patient knowingly chooses an out-of-network facility, they will not be held responsible for any costs in excess of an in-network provider other than the respective in-network co-payments, deductibles and co-insurance associated with their health benefit plan. The result is the inability of out-of-network providers to balance bill a patient.

The bill would also allow for a state-regulated binding arbitration process for the settlement of an out-of-network bill between the patient and the insurance provider for disputes in excess of \$1,000. The arbitration process will be administered by the Department of Banking and Insurance initiated by the filing of a request. The arbitrator's decision will be binding on the parties involved. Arbitration is not available to a patient who knowingly chooses an out-of-network provider.

The New Jersey Out-of-Network Bill will be sure to bring great change to patients and health benefit providers. The Act becomes effective on August 30, 2018. The Department of Banking and Insurance will issue regulations to provide further guidance to comply with the details of the Act.

**Deborah A. Nappi, CPA, MST** is a Director at Sax and an integral member of the firm's Healthcare Practice. She has over 20 years of experience performing accounting, consulting and analysis of key state reports and billing for various medical practice groups, surgery centers and medical device companies. Debbie can be reached at [dnappi@saxllp.com](mailto:dnappi@saxllp.com).

# Medical Marijuana Program New Jersey

By: Randy Horning, MSRE

Healthcare  
Division

NAI James E. Hanson

Since Governor Phil Murphy took office at the beginning of the year, the conversation about medical marijuana and recreational marijuana have been heating up dramatically. Murphy called for an expansion of the State's medical marijuana program (MMP) earlier this year which includes approximately 20,000 patients. The Department of Health expects the number of patients to grow to 40,000-50,000 by June 2019. With the growing number of patients means more supply coming to the market as well. New Jersey expects to increase the number of dispensaries from 6 to 12 by the end of the year. There has also been increasing amount of interest to open a dispensary in towns that will permit the use. This is in anticipation of both the increased medical dispensaries and the proposal of recreational legalization. Governor Murphy's administration has also expanded its MMP to cover more afflictions and reduced the participation fees. Since the expansion program, there has been a 6% drop in opioid prescriptions, which translates to 3.7 million fewer daily doses of opioid prescriptions being filled. Most importantly, while all this is evolving, the programs in place to educate people and physicians about the risks and benefits involved in this alternative medicine have simultaneously ramped up dramatically.



## NAI James E. Hanson Recently Completed/Under Contract Deals



75 Orient Way  
Rutherford, NJ  
1,500 sf leased to a physical therapy group



385 Prospect Avenue  
Hackensack, NJ  
Leased to internal medicine



63 Grand Avenue  
River Edge, NJ  
3,112 sf medical condo (buyer rep)

## Featured Medical Office Properties of NAI James E. Hanson



177 N. Dean Street  
Englewood, NJ  
4,756-8,150 sf for lease



122 E. Ridgewood Avenue  
Paramus, NJ  
2,224 sf for lease



7 Doig Road  
Wayne, NJ  
12,000± sf for lease



75 Orient Way  
Rutherford, NJ  
1,845-4,654± sf for lease