

FEATURING

“1Q Commercial Real Estate Market”

by **Darren Lizzack, MSRE** and **Randy Horning, MSRE**



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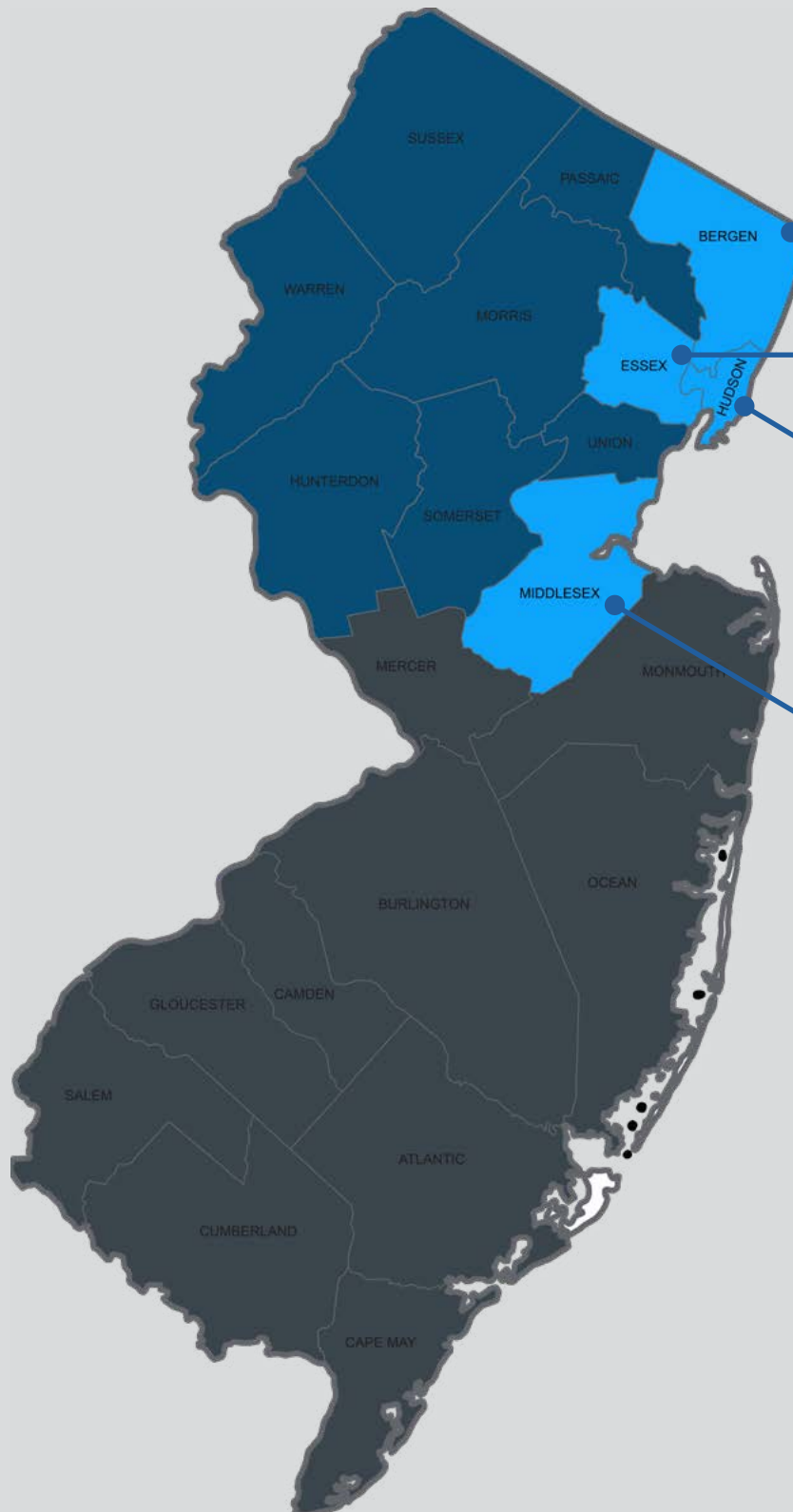
TEAM LIZZACK-HORNING

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Globe St.

2024 Influencers in Healthcare RE

1Q 2025 MEDICAL OFFICE REPORT



Bergen County

- ★ 461 Medical Buildings
- ★ 5,741,394 SF RBA
- ★ \$27.88 PSF Base Rent

Essex County

- ★ 296 Medical Buildings
- ★ 3,920,372 SF RBA
- ★ \$23.76 PSF Base Rent

Hudson County

- ★ 192 Medical Buildings
- ★ 2,142,271 SF RBA
- ★ \$25.41 PSF Base Rent

Middlesex County

- ★ 482 Medical Buildings
- ★ 5,410,779 SF RBA
- ★ \$20.81 PSF Base Rent

Northern NJ

- ★ 3,183 Medical Buildings
- ★ 39,971,934 SF RBA
- ★ \$23.79 PSF Base Rent

10
2025
MEDICAL
OFFICE
REPORT

TOP SALES & LEASES

SALES

98,258 SF | \$16,600,000

1120 Alps Road, Wayne

Buyer: Paramount Care Center

Seller: Atrium Health & Senior Living

10,000 SF | \$9,000,000

292-306 MLK Jr. Blvd., Newark

Buyer: Ellavoz Impact Capital

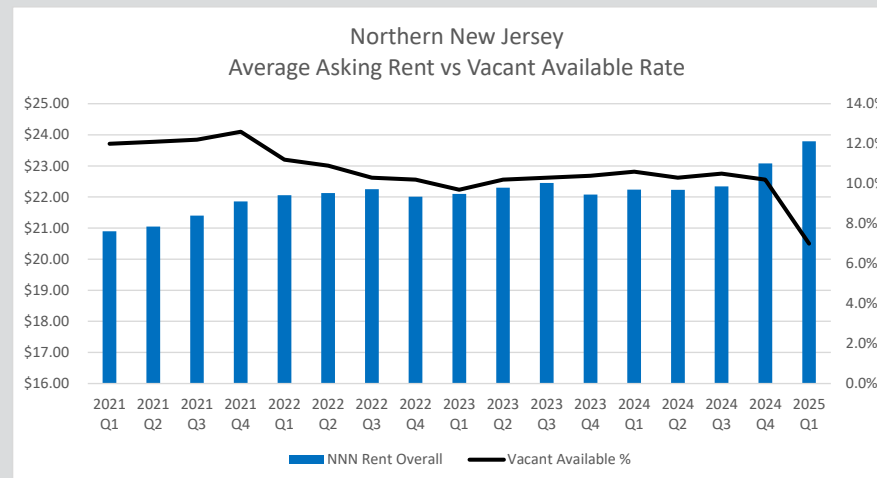
Seller: New Jersey Community Capital

LEASES

10,217 SF | 1 Greenwich Street, Stewartsville

10,000 SF | 1 Greenwich Street, Stewartsville

7,000 SF | 32 Broad, Freehold



State of the Market - Healthcare Office Space

Several factors, including technological advances and population shifts, are reshaping the healthcare real estate market. Patient preferences are shifting toward outpatient settings, leading to increased occupancy and limited new construction of specialized medical office buildings (MOBs). Stable rent growth and demographic expansion in the Sunbelt further contribute to the appeal of medical properties for investors and health systems.

Healthcare organizations, including major medical groups, are strategically adopting their real estate portfolios by acquiring or contracting with physician groups to increase specialty services. Data shows a significant increase in physician employment by hospital systems, with 16,000 joining between 2022 and 2023, and health systems accounting for 46% of MOB leases last year. Specialty providers, especially behavioral health, comprised 31% of those leases.

Hospitals and health systems are concentrating on high-value services like orthopedic and cardiovascular care, prioritizing ambulatory care — accessible, convenient, and visible outpatient sites — and leveraging retail-like tactics for market expansion. Their site selection process is complex, requiring analyses of patient data, demographics, care gaps, population growth, insurance, referral networks, and competitor positioning. This trend highlights the importance of a data-driven ambulatory network strategy aligned with real estate.

By the Numbers

Advisory Board expects 10.6% growth in outpatient volumes in the U.S. and a 0.9% rise in patient volume over the next five years. The board attributes this surge in demand to the expanding elderly population and rising prevalence of chronic illnesses. Technological advancements and evolving patient preferences are facilitating the transition from inpatient to outpatient care, as medical treatments become more economical, secure, and minimally invasive.

Revista data shows that MOBs' absorption accelerated in Q4 2024 to 19 million SF — a 15% increase from 2023. This strong demand, coupled with some new construction, has steadily pushed occupancy rates up, reaching 92.8% in Q4 2024, up from 92.4% the previous year.



Several factors are hampering new MOB construction: higher construction costs, developers' need for higher ROI to offset inflation and market volatility, and tenants' desire to control rent expenses. Construction costs, which declined in 2022 but accelerated in 2023 and 2024, created limited new supply for tenants in 2024 — these starts represented only 0.8% of existing inventory in Q4 2024 compared to 2.1% in Q4 2017. Ninety-two percent of new construction was pre-leased in Q4 2024, limiting options for tenants seeking new space.

Developers and investors are increasingly focusing on conversions and renovations, representing 59% and 32% of projects, respectively, though only 13% of the total square footage. These projects tend to be smaller, with health system starts averaging over 100,000 SF and investor projects averaging about 35,000 SF.

Some healthcare providers are opting to purchase rather than lease space, taking advantage of favorable financing and lower MOB availability. Medical office condo sales increased nearly 13% from 2023 to 2024, with transaction volumes rising just over 11%, according to CoStar data. Users accounted for 24% of those purchases, while private investors comprised 69%.

Average asking rents for MOB properties keep rising, although YOY growth slowed from 3.7% in 2023 to 2.5% in 2024. Premium MOB rents are growing faster than mid- and low-tier rents. In Revista's top 100 markets, top-tier rents saw a 2.4% CAGR from 2019 to 2024, compared to 1.8% for mid-tier rents.

State of the Market - Healthcare Office Space

Here are the Q1 statistics for New Jersey:

Northern NJ

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What's next?

According to [McKinsey & Company](#), the distribution of projected EBITDA across healthcare segments between 2023 and 2028 is in the billions of dollars, with most healthcare segments showing more than 5% YOY growth. Where patients receive treatment is fueling the expansion of outpatient care settings. Physician practices are also broadening their service offerings by integrating ancillary procedures in office settings, a trend encouraged by payers seeking to direct patients to more cost-effective treatment locations.

The transfer of care from acute hospital settings to ambulatory surgery centers (ASCs) continues. While established procedures like colonoscopies have saturated markets and stagnated within ASCs, newly approved procedures, like knee and hip arthroplasty and some cardiovascular surgeries, are expected to boost volume and profitability in these centers.

Physician services are poised to benefit from this site-of-care shift, partly because of the integration of ancillary procedures such as radiology and diagnostic lab testing into physician offices. Payers' efforts to manage specialty spending and redirect care from hospitals support this trend.

Diagnostic segments, like independent laboratories, are experiencing reduced volume growth compared to the peaks seen during the 2020 pandemic. Within post-acute care, most sectors are expanding in line with the aging population; skilled nursing facilities are the exception, as the industry continues to face labor challenges and see an increased preference for home health. In fact, personal care services are forecast to grow at a CAGR of 10-12% between 2028, propelled by consumer demand and current and planned state-funded programs to compensate family caregivers.



FEATURED MEDICAL PROPERTIES OF TEAM LIZZACK-HORNING

CURRENT
AVAILABILITIES

15
Properties

164,000 SF
Available

580,000 SF
Under Control

Portfolio
Vacancy
25.28%

Wayne Medical Center
1777 Hamburg Turnpike
Wayne, NJ

MEDICAL OFFICE SUITES

1,141 SF & 2,351 SF
FOR LEASE



FOR SALE/LEASE



7500 Bergenline Avenue
North Bergen, NJ - 7,200 SF

FOR LEASE



414 Eagle Rock Avenue
West Orange, NJ - 591-5,216

FOR SUBLEASE



4 Brighton Road
Clifton - 2,410 SF

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FOR SALE/ LEASE

321 Essex Street
Hackensack, NJ - 13,500 SF



FOR LEASE

Medical Redevelopment Opportunity!
311 Vincent Avenue
Hackensack, NJ - 14,000 SF -



FOR LEASE

855 Valley Road
Clifton, NJ - 4,877-7,483 SF



FOR LEASE

1030 St. Georges Avenue
Avenel, NJ - 1,200 - 3,100



FOR LEASE

5600 Kennedy Blvd. W.
West New York, NJ - 1,000-2,600 SF



FOR LEASE

206 Bergen Avenue
Kearny, NJ - 750-19,000 SF

Please contact Team Lizzack-Horning today if you are looking for medical office space and/or have a medical building with any vacancies.

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2025

MEDICAL
OFFICE
REPORT



TEAM LIZZACK-HORNING

2024 STATS

19

TRANSACTIONS

3

SALES

16

LEASES

\$27.14 PSF

Team Average Rents

5.31 Years

Average Lease Term

56,671 SF

Leased/Sold

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ROI Influencers
REAL ESTATE: 2024



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ROI-NJ Real Estate Influencers



David Samuels



Ryan Samuels



Steven Deshotel



Katie Korta



Stephen Cassidy



Jon Hanson



Jimmy Hanson



David Corbair



Melissa Macdonald



Bill Hanson



Darren Lizzack



Randy Horning



Scott Perkins



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**Q2 2024
AWARD**



**Darren M. Lizzack, MSRE &
Randy Horning, SIOR, MSRE**