

FEATURING

“1Q Commercial Real Estate Market”

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



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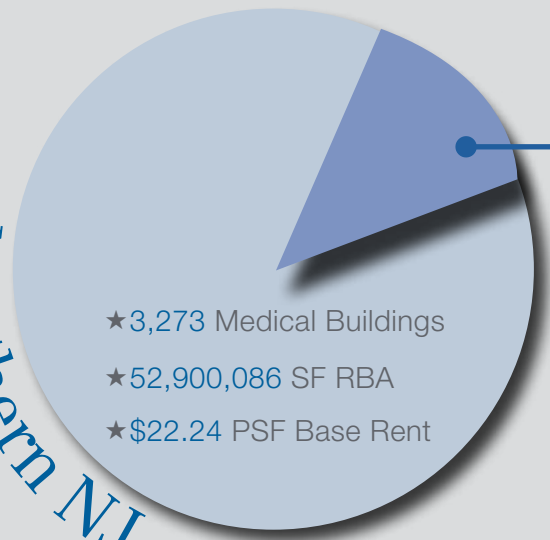
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1Q 2024 MEDICAL OFFICE REPORT

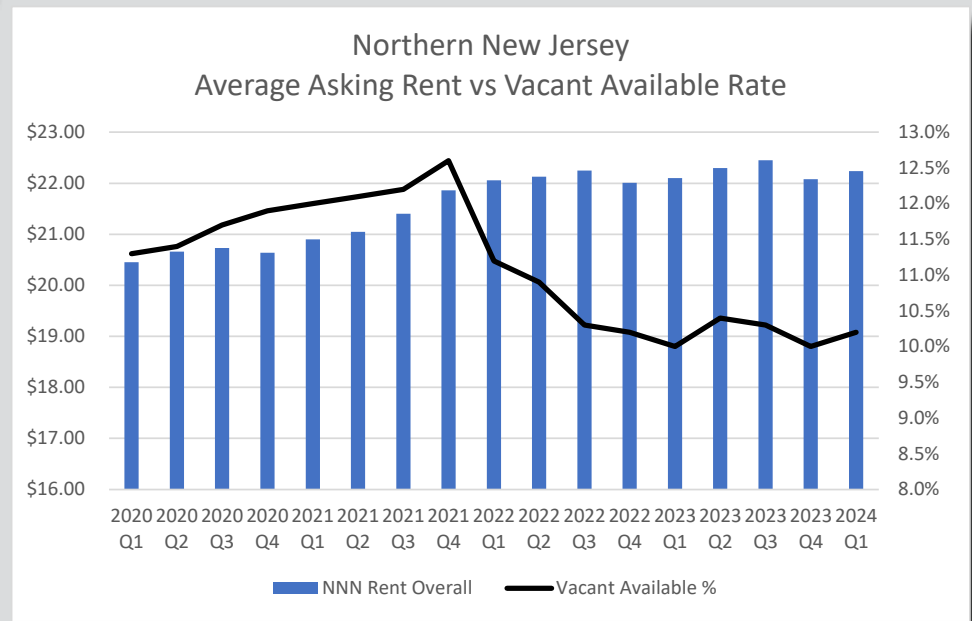


Northern NJ



Bergen County

- ★470 Medical Buildings
- ★7,958,746 SF RBA
- ★\$24.91 PSF Base Rent



TOP SALES & LEASES

SALES

11,800 SF | \$3,300,000
 385 Morris Avenue, Springfield
 Buyer: Atlantic Health Systems
 Seller: MAK Associates, LLC

8,226 SF | \$3,250,000
 79 Union Street, Montclair
 Buyer: Anthonya D Silva
 Seller: Fullerton-Union Property, LLC

LEASES

12,807 SF | 556 Eagle Rock Ave., Roseland
9,020 SF | 630 Broad Street, Carlstadt
6,204 SF | 1455 Broad Street, Bloomfield

10Q
2024
 MEDICAL
 OFFICE
 REPORT

State of the Market - Healthcare Office Space

Healthcare remains a bright spot in the single-tenant office market, with steady demand for medical offices and urgent care centers. Labs for research and development supporting healthcare may also see ongoing crossover demand. However, while healthcare office space remains a hot property type, the trend isn't extending to traditional office spaces in high-rises, suburban parks, or corporate campuses.

Medical outpatient buildings remain a hot commodity in CRE. Their stability and the ongoing need for healthcare make them a prime investment opportunity. Diversifying investment portfolios with these assets can yield robust returns in the coming years.

By the Numbers

On-campus medical office buildings (MOBs) fetch higher prices than off-campus ones, with a typical premium of 25 basis points on cap rates. Rising interest rates have driven MOB cap rates higher, but with the Fed expected to cut rates this year, many investors are using lower exit cap rates when valuing MOBs.

In one recent [survey](#), half of investors expect exit rates to be 25-50 basis points higher than the initial cap rate, while the other half expects a smaller spread of 0-25 basis points. Discount rates, however, are expected to climb further, with respondents anticipating a spread of 75-100 basis points above the exit cap rate.

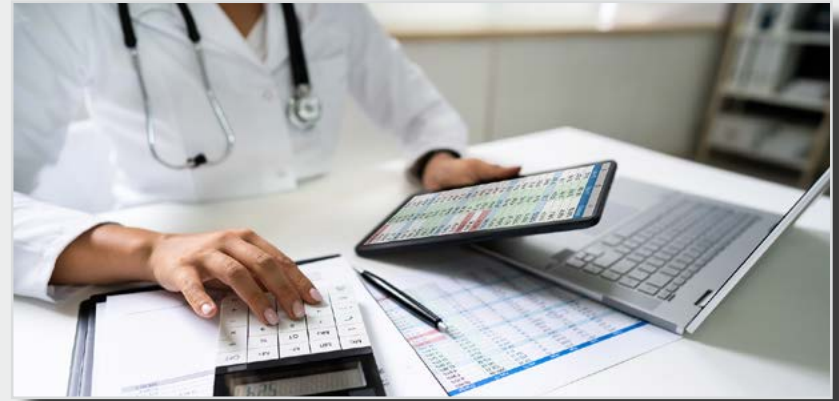
By the end of Q1 2024, these were Bergen County and Northern NJ numbers, with rents increasing a few pennies per square foot.

Bergen County

- 470 medical buildings
- 7,958,746 SF RBA
- \$23.91 PSF base rent

Northern NJ

- 3,273 medical buildings
- 52,900,086 SF RBA
- \$22.24 PSF base rent



According to Forbes, the MOB market is booming, with a projected annual growth rate of 10.4% through 2027. Located in convenient medical corridors, MOBs offer top-notch facilities and easy patient access, a significant advantage over traditional hospital campuses. Also fueling MOB market growth? A shift in patient preference prioritizing convenience over the more traditional visits — and attempts to navigate — sprawling hospital campuses.

Looking Ahead to Q2 2024

The Federal Open Market Committee predicted during its December 2023 meeting that the Fed will cut interest rates three times in 2024, bringing the federal funds rate down to 4.6% by year-end. However, some experts caution that high interest rates in healthcare real estate may linger. While this scenario creates a wait-and-see approach for pricing and financing, interest rates should stabilize. With physician retirements outpacing new graduates, labor shortages remain a concern, however.

The outlook isn't all gloomy. Experts point to a boom in mental healthcare clinics and project the [market will grow at a 3.5% CAGR through 2029](#). As societal attitudes shift and demand increases, these facilities are attracting significant investment.

FEATURED MEDICAL PROPERTIES OF TEAM LIZZACK-HORNING

CURRENT
AVAILABILITIES

17

Buildings

168,600 SF
Available

629,262 SF
Under Control

Portfolio
Vacancy
18.76%

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FOR SALE

7075 US Highway 1
Port St. John, Florida

32,927 SF on 5.54 acres



FOR SALE



845 Century Medical Drive
Titusville, FL - 8,729 SF on .82 AC

FOR LEASE



321 Essex Street
Hackensack, NJ - 13,500 SF

FOR LEASE



36 Newark Avenue
Belleville, NJ - 6,139 SF

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

FEATURED MEDICAL PROPERTIES OF TEAM LIZZACK-HORNING

CURRENT AVAILABILITIES

17 Buildings

168,600 SF Available

629,262 SF Under Control

Portfolio Vacancy 18.76%

10Q 2024 MEDICAL OFFICE REPORT

414 Eagle Rock Avenue
West Orange, NJ - up to 25,000 SF



FOR LEASE

FOR SALE/LEASE



1001 Pleasant Valley Way
West Orange, NJ -10,000 SF for sale/5,000 SF for lease

FOR LEASE



5600 Kennedy Blvd.
West New York, NJ - 1,000-5,600 SF

UNDER CONTRACT



315 Cedar Lane
Teaneck, NJ - 6,000 SF

FOR LEASE



855 Valley Road
Clifton, NJ - 4,877-28,299 SF

FOR LEASE



206 Bergen Avenue
Kearny, NJ - 750-21,702 SF

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OFFICE
REPORT



TEAM LIZZACK-HORNING

1Q Stats

8 Transactions

1 Sale

1 Lease Renewal

\$25.28 PSF
Team Average Rents

4.7 Years
Average Lease Term

12,424 SF
Leased/Sold

OUTPATIENT

Outpatient

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