NAI James E. Hanson
COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

1Q 2023 MEDICAL OFFICE REPORT

FEATURING

"State of the Healthcare Market"
by **Darren Lizzack, MSRE and Randy Horning, MSRE**

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TEAM LIZZACK-HORNING

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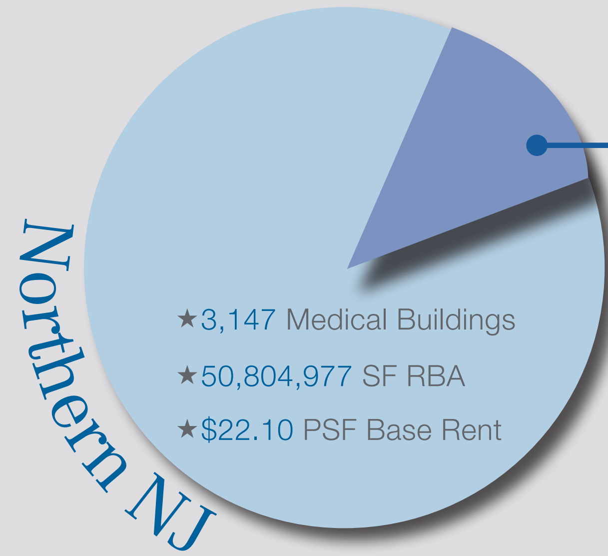
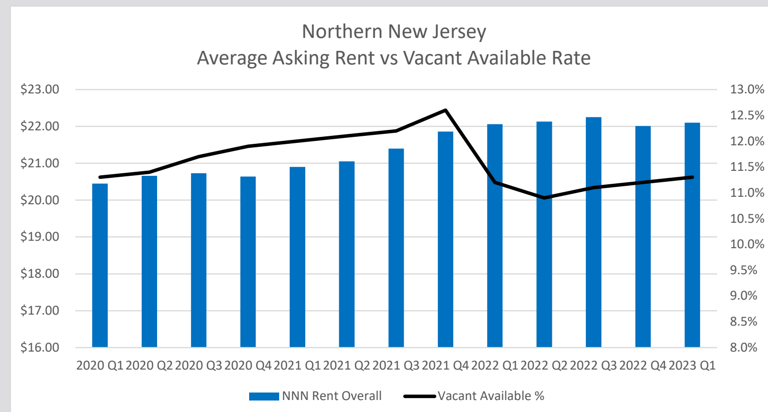




TOP SALES & LEASES

SALES

26,150 SF | $4,200,000
330 Changebridge Road, Pine Brook
Buyer: National Retail Properties
Seller: South Salem Street Associates

6,270 SF | 1,350,000
37 E. Willow Street, Millburn
Buyer: Somma Associates, LLC
Seller: Michael Addler

LEASES

22,014 SF | 500 N Franklin Turnpike, Ramsey

16,000 SF | 515 Union Boulevard, Totowa

12,954 SF | 155 Passaic Avenue, Fairfield

**NAI Hanson Transaction*

State of the Market

As 2022 wound down, investors predicted that while economic conditions remained turbulent, the healthcare and life sciences industry would see more dealmaking in 2023. An **early 2023 report** said 60% of healthcare and life sciences investors intended to engage in M&A activity. Other experts predict the M&A volume will increase throughout 2023, although continued high interest rates and global economic instability are influencing investors to proceed with caution.

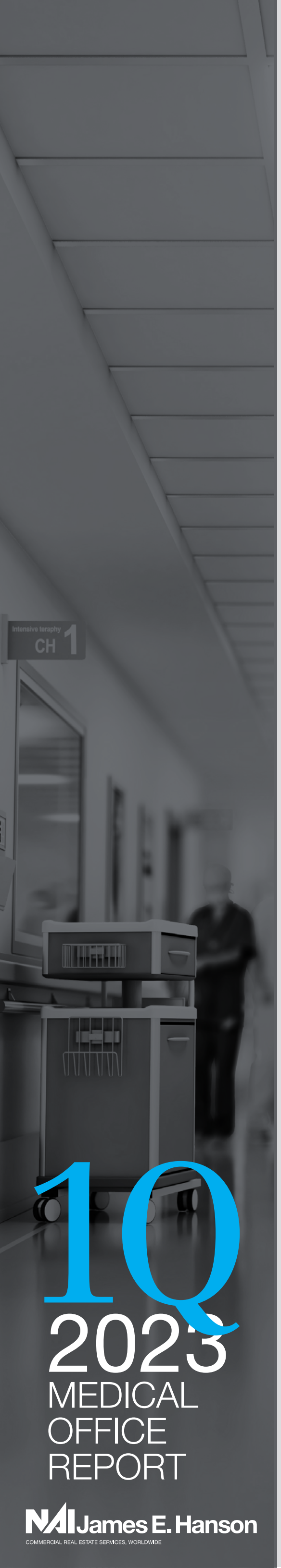
Attendees at the recent **McDermott Will & Emery Healthcare Private Equity Miami Conference** shared the following insights and predictions:

- **Volume will increase in the second half of 2023.** Current high-interest rates and valuation misalignment between buyers and sellers may slow deals in Q1 and Q2. This slower pace will increase interest in more creative financing structures like co-investments, minority recapitalizations, a return to earnouts, and seller financing.

- **The specialty outlook is good**. Cardiology, GI, oncology, ortho/PT and other specialty physician practices remain popular. One reason? Evolving — and accessible — technology has reduced risk and improved patient outcomes. Technology has enabled physicians to perform 50% of cardiac treatments in outpatient settings, for example.

Specialty practices like these also generate opportunities to aggregate huge volumes of clinical data which biotechnology and pharmaceutical companies are monetizing as they develop new treatments.

- **More risk — more reward**. Value-based care continues to drive financial results. **Nearly 50% (49.9%) of the eligible Medicare population is currently enrolled in Medicare Advantage plans**. Last year, the Centers for Medicare & Medicaid Services (CMS) said it was committed to enrolling **100% of eligible beneficiaries enrolled in its value-based care program by 2030**. At-risk arrangements continue to move forward, with healthcare leaders acknowledging that by taking on full risk, they gain the freedom to do what patients need.



State of the Market

Smaller for-profit companies and larger health systems have also asked for full risk. The result? More robust workflows that enable providers to more effectively manage patients, resulting in fewer hospital visits, acute episodes, or readmissions. Another result? This full-risk arrangement reduces the costs shared amongst companies, payors, and practices — and increases patient satisfaction.

Digital health growth has slowed since its initial explosive momentum, accelerated by the pandemic. But rising costs of face-to-face healthcare, ongoing staffing shortages, and the ability of telemedicine to reach people who otherwise have limited access to the care they need has secured analytics, health tech and telehealth companies' roles as attractive assets this year.

Behavioral health continues to become specialized. With digital health providers expanding their scope of care to include behavioral health, experts predict this currently fragmented market — comprised of informal private practices — is ripe for consolidation. Tele-mental health providers may increasingly focus on acquiring assets in condition-specific behavioral sciences like ADHD, PTSD, and OCD as well as group therapy practices.

Investors have suggested there are several main obstacles to M&As: continued inflation and additional higher interest rates; strong competition for tempting targets; and anticipated impact on the economy.

But a **PwC analysis counters,** suggesting that increasing transaction volumes and players embracing value-based care — coupled with large levels of corporate cash and private equity dry powder — are leading to continued expansion for deal volumes in 2023. Deal volume will remain robust and resilient despite headwinds.

Many CRE professionals believe the data supports the reputation for resilience that the healthcare and life sciences industry has established. **Other reports** say competition from generics and biosimilars, a growing gene therapy pipeline, the loss of patient exclusivity, increased patient awareness, expectations and requirements, and breakthroughs in digital technologies will increase M&A activity this year, too.

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FEATURED MEDICAL PROPERTIES OF TEAM LIZZACK-HORNING

FOR LEASE

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

FOR LEASE

206 Bergen Avenue
Kearny, NJ - 3,571 - 28,867 SF

LEASE PENDING

393 Mulberry Street
Newark, NJ - 8,700 SF

FOR LEASE

1030 St. George's Avenue
Avenel, NJ - 1,830 - 6,496 SF

FOR LEASE

23-00 Route 208
Fair Lawn, NJ - 520 - 7,752 SF

FOR SALE/LEASE

764 New Bridge Road
Teaneck, NJ
35,220 SF for sale/±8,361 SF for lease

FOR LEASE

Clara Maass Medical Campus
Belleville, NJ - 606 - 26,823 SF

FOR SALE/LEASE

315 Cedar Lane - 6,000 SF Bldg.
Teaneck, NJ - 3,800 SF

FOR SUBLEASE

10 Forest Avenue
Paramus, NJ - 2,459 SF

FOR SALE/LEASE

180 N. Dean Street
Englewood, NJ - 2,791 SF

LEASE PENDING

35 S. Washington Avenue
Bergenfield, NJ - 2,000 SF

FOR SUBLEASE

37 W. Century Road
Paramus, NJ - 3,519 SF

UNDER CONTRACT

211 Essex Street
Hackensack, NJ - 1,000 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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2023
MEDICAL
OFFICE
REPORT

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5,100± Market Leaders

NAI James E. Hanson is the largest independently owned commercial real estate firm in the state with over 65 years of experience in the New Jersey industrial market and has one of the largest industrial teams. NAI Hanson currently holds 12 SIOR designations, the most SIORs over any other commercial real estate firm in the state.

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