

## FEATURING

"3Q Commercial Real Estate Market"  
by **Darren Lizzack, MSRE** and **Randy Horning, MSRE**



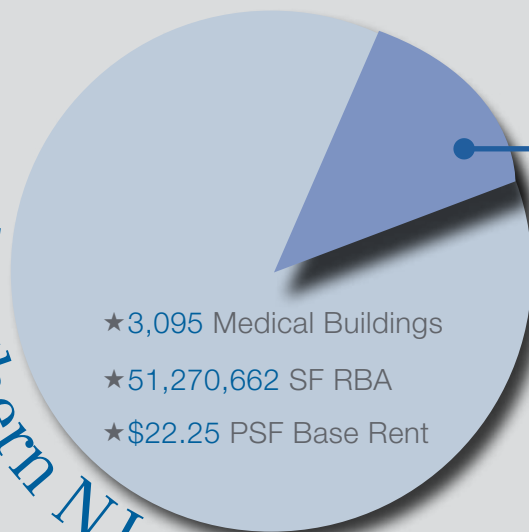
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# 3Q 2022 MEDICAL OFFICE REPORT

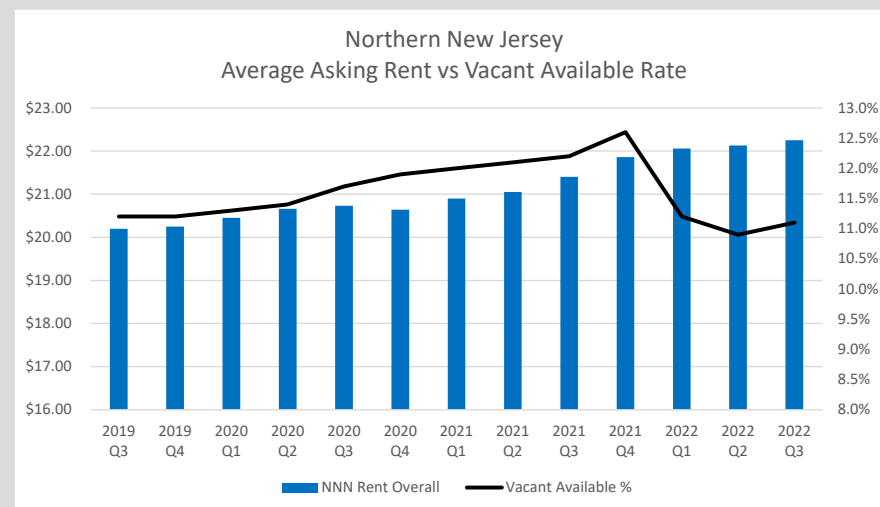
Northern NJ



## Bergen County

- ★439 Medical Buildings
- ★7,137,981 SF RBA
- ★\$25.70 PSF Base Rent

## TOP SALES & LEASES



### SALES

**62,535 SF | \$16,000,000\***

1135 Broad Street, Clifton, NJ

Buyer: Redina Development

Seller: FEDCO

**63,000 SF | \$12,500,000\***

855 Valley Road, Clifton, NJ

Buyer: 855 Valley Road Holdings, LLC

Seller: Bliss Valley Associates, LLC

### LEASES

**9,061 SF | 160 Summit Avenue, Montvale, NJ**

**7,287 SF\* | 140 Route 17 N, Paramus, NJ**

**5,599 SF\* | 10 Forest Avenue, Paramus, NJ**

\*NAI Hanson Transaction

**3Q**  
**2022**  
MEDICAL  
OFFICE  
REPORT

# State of the Market

According to [research](#) conducted by Avalere for the Physicians Advocacy Institute (PAI), hospital systems and corporate entities such as health insurers and private equity firms employ nearly 70% of U.S. physicians.

The data examined a two-year period between January 1, 2019, and January 1, 2021. It found that the trend of physician practice acquisition — and physician hiring — accelerated during the pandemic. In fact, hospitals and corporate entities acquired nearly 21,000 physician practices during this time.

Additional key findings uncovered by the research during this period included:

- A 32% increase in physician practice acquisitions and employment among health insurers and private equity firms.
- Nearly 50% of the country's medical practices are now owned by corporate entities, health systems, and hospitals.
- Hospital ownership of practices increased 6%-11%.
- Corporate ownership of practices grew between 44%-59%.

Another research company projects that by 2033, the country will see a shortage of between 54,100 and 139,000 physicians with demand increasing at a much higher rate than supply. The primary factors affecting this shortage? Population growth and aging (and retiring) physicians. The COVID pandemic also impacted the number of doctors in the field, with 8% closing their practices since 2020 and 72% seeing decreased incomes during that time.

A need to maintain up-to-date on the newest technology coupled with shrinking reimbursement margins has led many physicians to sell their practices. The AMA found that in 2020, fewer than half



of patient care physicians worked in a 100% physician-owned practice. It's been a trend for hospitals and health systems to acquire more physician practices — a strategy that increases the type of specialized care they can provide while growing market share.

In general, insurer and government payer policies favor larger health systems over privately owned physician practices, putting those practices at a significant disadvantage. In addition to decreased income courtesy of reduced reimbursement for various specialties, privately owned practices have faced reimbursement penalties generated by:

- Failure to maintain reporting.
- Inability to maintain minimum quality goals.

Other challenges include younger physicians graduating with massive student debt who seek financial stability and a work-life



# State of the Market

balance. Increased patient expectations for more convenience, new technology for procedures, appointment scheduling appointments, virtual communication, telemedicine, and access to rapid test results have also contributed to the higher number of physicians opting to sell their practices and work for a hospital system.

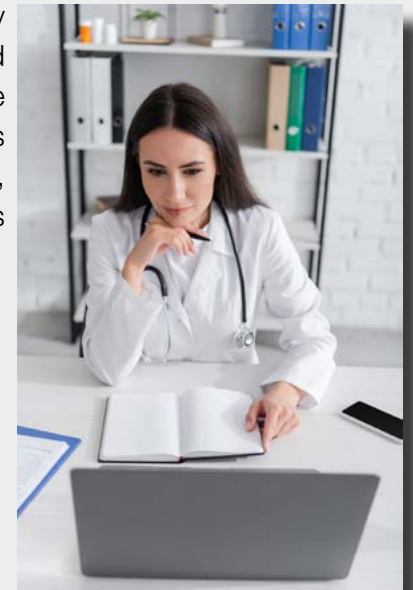
Nontraditional organizations — insurers, private equity firms, Medicare Advantage-focused providers, even Amazon (for a short while) — have increased their investments in physician practices. In addition to providing the traditional benefits like access to capital, contracting leverage, fewer administrative burdens, and practice management services, these industry players have other benefits, too. Those benefits may include greater opportunities to innovate and influence new technology and models of care — or potential equity payouts.

Transactions and consolidation via private equity aren't new. In the 1990s, physician practice management companies (PPMCs) exploded. The industry recognized the value of consolidating to more effectively achieve economies of scale — while attaining a size necessary for negotiating managed care contracts. PPMC acquired multi-specialty and single groups offering doctors a solution for remaining independent of hospitals. At one point, more than 39 publicly traded PPMCs existed, but by 2002, eight of the 10 largest PPMCs had declared bankruptcy.

Today's second generation of PPMCs has ramped up from a mere 10% of physician medical group deals generated by private equity firms in 2014 to over 70% done in 2020. With the amount of private equity capital available for investment at nearly \$2 trillion globally, experts estimate the growth will

continue. These private equity firms have stretched beyond general medicine to include medical specialties such as gastroenterology, orthopedics, and urology. These specialties generate additional revenue from:

- Ambulatory surgery centers
- Durable medical equipment
- Medical imaging
- Pathology
- Pharmacy
- Physical therapy



Private equity groups aren't the only non-traditional organizations acquiring physician groups. So are insurance companies, large employers, and Medicare Advantage providers. And in some cases, independent physicians are forming or joining independent physician associations (IPA). A McKinsey & Company survey found that 79% of small independent practices and 67% of large independent practices wanted to remain autonomous — and joining an IPA makes that autonomy possible. Owned by a network of physician practices, IPAs are large enough to make it possible for physicians to negotiate more favorable managed care contracts and reduce overhead.

The shortage of physicians is only going to increase — even as demand for their services also increases. It appears that for now, physicians have recognized the value of partnering with other organizations to better control costs while maintaining a high standard of patient care.

# FEATURED MEDICAL PROPERTIES OF TEAM LIZZACK-HORNING

## JUST LISTED



### 315 Cedar Lane

Teaneck, NJ  
6,000 sf for sale/lease

## CONTRACT OUT



### 370 West Passaic Street

Rochelle Park, NJ  
6,146-26,702 sf for sale/lease

## JUST LISTED



### 37 W. Century Road

Paramus, NJ  
3,500 sf for sublease

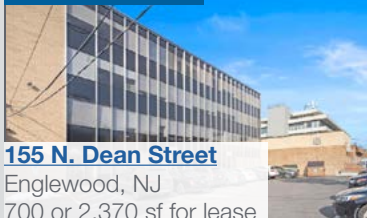
## JUST LISTED



### 180 N. Dean Street

Englewood, NJ  
2,791 sf for sale/lease

## JUST LISTED



### 155 N. Dean Street

Englewood, NJ  
700 or 2,370 sf for lease

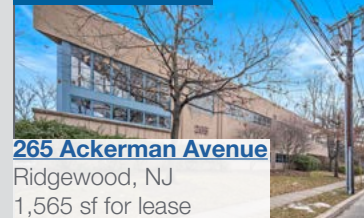
## FOR LEASE



### 206 Bergen Avenue (6 suites)

Kearny, NJ  
3,571 - 28,867 sf

## JUST LISTED



### 265 Ackerman Avenue

Ridgewood, NJ  
1,565 sf for lease

## SOLD



### 81 E Route 4

Paramus, NJ  
10,000 sf

## FOR LEASE



### 305 W. Grand Avenue

Montvale, NJ  
1,320 - 9,003 sf

## SOLD



### 1135 Broad Street

Clifton, NJ  
7,796 sf

## FOR SALE/LEASE



### 535 High Mountain Road

North Haledon, NJ  
50,489 sf for sale  
24,682 sf for lease

## FOR LEASE



### Clara Maass Medical Campus

Belleville, NJ  
606 - 26,823 sf

## FOR LEASE



### 23-00 Route 208

Fair Lawn, NJ  
3,363-7,252 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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