

3Q 2018

Medical Office Report

In this issue...

Team Lizzack/Horning and Medical Dental Build share a recent Case Study regarding 75 Orient Way, Rutherford, NJ

Teterboro • Parsippany • naihanson.com



Darren M. Lizzack, MSRE
201 488 5800 x104
dlizzack@naihanson.com



TEAM LIZZACK-HORNING



Randy Horning, MSRE
201 488 5800 x123
rhorning@naihanson.com

Medical Office 3Q'18 Market Report



201 Willowbrook Boulevard, Wayne

At a Glance...

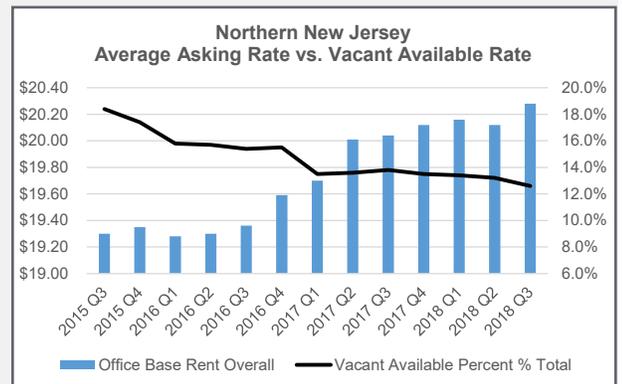
- There are currently 2,271 medical buildings in Northern New Jersey, which consists of 12 counties, representing 34,518,386 square feet.
- The Bergen County market accounts for 332 (15%) of those medical buildings or 4,606,223 square feet.
- Average asking rates ended the quarter at \$20.28 per square foot base rent in Northern New Jersey compared to \$24.00 per square foot base rent in Bergen County.

Market Update

The Northern New Jersey market saw over 199,000 square feet leased in the third quarter of 2018. Average asking rates ended the quarter at \$20.28 per square foot. Compared to the previous quarter, rates are up \$0.16 per square foot and compared to the third quarter of 2017, rates are up \$0.24 per square foot. Vacancy ended the quarter at 12.6%, which is down 0.6% from the previous quarter as well as being down 1.2% from the third quarter of 2017. Net absorption ended positively with over 220,000 square feet absorbed.

The Bergen County market saw over 36,000 square feet leased in the third quarter. Average asking rates ended the quarter at \$24.00 per square foot, which are up \$0.18 per square foot from the previous quarter as well as being up \$0.59 per square foot from the third quarter of 2017. The vacancy rate at the end of the quarter was 8.4%. Compared to the previous quarter, the rate is down 0.9% and compared to the third quarter of 2017, the rate is down 3.1%. There was over 34,000 square feet absorbed in the quarter.

The Hampshire Companies recently broke ground on the border of Glen Ridge and Montclair on a three story 45,735 square foot medical office building. The project is slated to be completed in early 2020 and Hackensack Meridian Health's Mountainside Medical Center will occupy the property.



Top Transactions for 3Q'18

SALES

6 Brighton Road, Clifton
58,500 sf sold for \$11,000,000

Buyer: NuAve Investments

Seller: KABR Real Estate Investment Partners

182 South Street, Morristown
36,317 sf sold for \$10,550,000

Buyer: Scotto Properties

Seller: NuAve Investments

LEASES

20,000 sf - 201 Willowbrook Blvd., Wayne

18,227 sf - 201 Willowbrook Blvd., Wayne

4,826 sf - 385 Prospect Ave., Hackensack

4,536 sf - 500 N Franklin Tpke., Ramsey

*Please see page 4 for NAI Hanson Transactions.

75 Orient Way, Rutherford, NJ

Case Study

The Requirement

In May of 2017, Team Lizzack/Horning was introduced to a dermatologist, Dr. Geria, through Bank of America (“BOA”). Dr. Geria was opening his own practice and was pre-approved by BOA for a brand new state-of-the-art medical office. Before BOA could approve the loan, the doctor needed to find a medical office building to suit his practice and standards. Dr. Geria hired Team Lizzack/Horning to exclusively work with him and during the next several months the team worked diligently to identify properties for consideration to lease. Team Lizzack/Horning located a well-positioned, upscale medical office building in Rutherford, NJ, which also happened to be represented by Team Lizzack/Horning, thereby creating a dual representation, which was disclosed to both parties prior to the commencement of lease negotiations.



The Dilemma

The first step to be able to properly negotiate fair terms for both the landlord and tenant is to understand the scope of work required as well as overall construction costs. Team Lizzack/Horning engaged the building owner’s architect to design a “test fit” study for the doctor, a basic floor plan depicting a “wish list” of everything Dr. Geria would require in his new office. Once the test fit was completed and approved, engagement with a medical contractor was arranged to put together a working budget for the cost of construction. Once the cost to construct Dr. Geria’s office was obtained, good faith negotiations between landlord and tenant commenced and mutually agreed upon terms and conditions were finalized. Subsequently, a lease agreement was negotiated between the parties and upon receipt of execution copies, BOA was able to close the loan with the doctor. Reaching this milestone enabled the architect to finalize a full set of construction drawings that would allow for the commencement of the construction process.

Collaborative Approach

Team Lizzack/Horning acted as the quarterback between all the professionals involved throughout the process in order to complete the project in a timely manner and within budget. After the plans were drawn up by the architect for the project, [Medical Dental Build](#) (MDB) was chosen as the General Contractor and Project Manager. MDB was able to provide services and consultation including construction, fixtures, furniture, and equipment.

Dr. Geria signed a long-term lease with several renewal options to secure the “new home” for his practice. Interior fit outs are one of the many types of construction services offered by MDB. This was a unique project from the onset when Dr. Geria provided his vision for the space. Dr. Geria had never completed any type of construction before, therefore, MDB carefully explained each detail with him to make sure that he fully understood everything that would be involved with the buildout. At first, Dr. Geria wanted a rustic but modern looking office that would bring a clean, neat, and sophisticated space. MDB was able to provide the architect with detailed plans for the design work that was required to surpass Dr. Geria’s expectations. MDB was able to redesign the space to maximize every square inch. The space had the height, which provided the ability to design a beautiful lighting program that would convey the doctor’s ideas to keep his patients energized while they would be visiting his office. One of the highlights of this space was an electric 72” LED fireplace in the waiting area that will keep everyone warm during the cold months and add some great colors to accent from the floor to ceiling finishes.



As with many doctors who envision the Rolls Royce design/build but on the budget of a Kia, Dr. Geria knew exactly what he wanted, and his budget reflected the high-end finishes, but even so his expensive taste surpassed his expectations when it came to overall costs for construction. MDB was able to value engineer this project to provide Dr. Geria with both the type of office he envisioned and at the same time enabling him to balance his budget. Since Dr. Geria was just starting his practice, we needed to make sure his upfront costs were manageable, so his practice could thrive once

he opened for business in June 2018.

75 Orient Way, Rutherford Case Study Continued

Healthcare
Division

NAI James E. Hanson

MDB used products that worked in his budget from flooring to wallpaper to tile work that was installed in the patient's bathroom. A project of this magnitude, from inception to completion, took only five months to complete. It is important to understand the time involved, from choosing finishes to the minor details that goes into the finished product. A company is only as good as its last job. It is important for MDB, as a company, to stand behind its product. It's the reason their marketing approach to business is to bring potential clients through completed jobs; MDB lets the work speak for itself. MDB prides themselves on working closely with clients to ensure they exceed their clients' expectations by satisfying their goals within their anticipated budget.

Medical Dental Build LLC
1103 Bloomfield Avenue
West Caldwell, NJ 07006
973-287-3489
www.doctorsofficedesign.com



Results

Team Lizzack/Horning was able to manage the entire process from start to finish. The doctor had his grand opening approximately one year later since the first process started, which is fairly typical. The doctor had great insight and guidance to start the process early to allow enough time for every job to be handled in the appropriate manner and time frame, while not compromising on quality of service. Since opening, the doctor's practice has been thriving!

Contact Team Lizzack/Horning for your FREE consultation today!

dlizzack@naihanson.com



rhorning@naihanson.com

NAI James E. Hanson Recently Completed/Under Contract Deals



385 Prospect Avenue
Hackensack, NJ
Leased to internal medicine



265 Ackerman Avenue
Ridgewood, NJ
9,242 sf sold for \$1,500,000



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

Featured Medical Office Properties of NAI James E. Hanson



23-00 Route 208
Fair Lawn, NJ
5,014 sf for lease (built-to-suit)



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



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



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