

4Q 2019

Medical Office Report

In this issue...

Nelson Gomes of Medicus IT discusses “The End of Windows 7, What You Need to Know and Do Now”

and

Richard G. Lyons, Esq. gives us insight on “Healthcare Leases.”

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Medical Office 4Q'19 Market Report



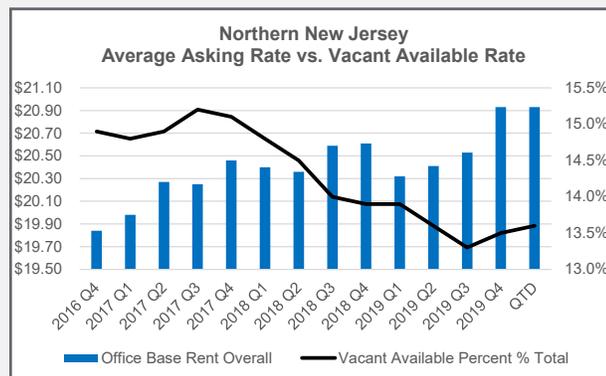
201 Rock Road, Glen Rock

At a Glance...

- There are currently 2,570 medical buildings in Northern New Jersey, which consists of 12 counties, representing 39,992,480 square feet.
- The Bergen County market accounts for 384 (15%) of those medical buildings or 5,473,154 square feet.
- Average asking rates ended the quarter at \$20.93 per square foot base rent in Northern New Jersey compared to \$24.35 per square foot base rent in Bergen County.

Top Headlines

- New Jersey Urology and Urology Management Associates [announced](#) a partnership with Urology Care Alliance, which creates the largest urology group in the United States. This group has 155 providers in 60 locations as well as 6 cancer treatment center.
- RWJBarnabas and Saint Peter's Healthcare [explore](#) a merger. RWJBarnabas has 11 acute care hospitals, 3 acute care children's hospitals and a renowned pediatric rehabilitation hospital as well as others. Saint Peter's is one of the few independent Catholic hospitals in the country sponsored by a Roman Catholic diocese.
- [Valley Hospital](#) broke ground on their new 372 bed facility in Paramus. The facility will feature 248 medical/surgical beds, 60 critical care beds, 11 operating rooms, 6 hybrid operating rooms and an emergency department with 70 treatment rooms which will cost about \$800 million.
- [Bergen New Bridge Medical Center](#) launched a telehealth service line. It is the first telemedicine transitional care platform in the United States with Telemedicine911 patient safety.



Top Transactions for 4Q'19

SALES

347 Mount Pleasant Ave., West Orange
50,000 sf sold for \$9,500,000
Buyer: Atlantic Spine Center
Seller: Bederson

751 US Highway 206, Hillsborough
16,250 sf sold for \$5,010,000
Buyer: Instone
Seller: M. Gordon Construction JV
Summit Associates

LEASES

19,000 sf - 500 N Franklin Tpke., Ramsey

13,990 sf - 347 Mount Pleasant Ave., W. Orange

10,300 sf - 140 Sylvan Ave., Englewood Cliffs

2,300 sf - 201 Rock Rd., Glen Rock*

*NAI Hanson Transaction.

By: Richard G. Lyons, Esq.

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Being a healthcare practitioner is challenging enough, right? The consistent red tape surrounding the numerous regulations hardly makes the medical profession feel like a free enterprise. Over the last several years, the real estate market has seen an increase in the number of healthcare practitioners purchasing medical office buildings.

With healthcare practitioners owning medical office buildings, many healthcare practitioners do not realize the additional regulatory pitfalls surrounding one very basic element of their practice, their lease. It's important for healthcare practitioners to be mindful of what happens when the owner (the landlord) of the building is in fact a healthcare practitioner themselves. Such a structure could run afoul of the Federal Anti-Kickback Statute and Federal Stark Law unless the lease fits squarely within a safe harbor.

The Federal Anti-Kickback Statute makes it a crime to intentionally offer or receive remuneration (payment or anything of value) in exchange for referrals for services or goods that are reimbursable by the federal government. Stark Law prohibits physicians from making referrals for certain "designated health services," to entities in which the physician has a financial relationship.



The U.S. Department of Health and Human Services (HHS) adopted certain regulatory leasing safe harbors for both the Anti-Kickback Statute and Stark Law. In summary, as they are two separate and distinct statutes, in order for a lease from a physician to a physician to fit within the regulatory safe harbors the lease agreement must: (a) be in writing (with terms set out in advance); (b) have at least a one-year term; (c) have a rental rate that is set in advance, is consistent with fair market value, and is not determined in a manner that will change based on the volume or value of referrals flowing between the parties; (d) cover and specify all of the leased premises; (e) be commercially reasonable even if no referrals are made between the parties; and (f) not exceed that which is reasonably necessary for the legitimate

business purposes of the physician tenant and is used exclusively by such physician tenant. Lastly, if the lease agreement is intended to provide the physician tenant with access to the leased premises for periodic intervals (instead of on a full-time basis), the lease agreement must specify exactly the schedule of such intervals.

It is important to seek professional guidance when acquiring, selling or leasing a piece of commercial property to make sure you are not unnecessarily exposing yourself to possible regulatory fines.

Richard G. Lyons is a Partner at Bertone Piccini LLP and provides strategic counselling to clients in the areas of commercial and corporate transactions, health care law, and commercial real estate law. Bertone Piccini LLP services needs generated by corporate and private business clients across a variety of practice areas in a number of industries and sectors, with substantial experience in the areas of healthcare, business transactions, commercial real estate, and commercial litigation.

The End of Windows 7 What You Need to Know and Do Now

Healthcare
Division

NAI James E. Hanson



MEDICUS IT
We do IT Right!

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What You Need to Know and Do Now

On Jan. 14, 2020, Microsoft stopped providing security updates and support for Windows 7 as well as Windows Server 2008. If your business is using hardware running either of these operating systems, this end of life (EOL) brings significant security vulnerabilities.

Having reached the EOL date, support and updates for Windows 7 and Windows Server 2008 are no longer available from or provided by Microsoft. While your business will still be able to use computers with Windows 7 (NetMarketShare [reports](#) that nearly one-third of all PCs were running the operating system as of December 2019) and Windows Server 2008 as their operating systems, doing so is risky.

New vulnerabilities will not be addressed, and any computers running Windows 7 or Windows 2008 are a massive security risk. In the event of technical issues, Microsoft has stopped providing support for these operating systems. If you are using computers with these operating systems for anything involving protected health information, your business will effectively be non-compliant with HIPAA and the HITECH Act.

Even if your business has just one computer running Windows 7 or Windows Server 2008 on your network and all other computers and servers are running newer operating systems, your network is vulnerable and all data is at risk.

Key Takeaway

If you have not migrated away from Windows 7 (likely to Windows 10) and Windows Server 2008, don't wait any longer. You should either work with a technology expert to upgrade your existing devices to the supported operating systems or purchase new devices with these systems. Have questions?

Don't hesitate to reach out to Nelson Gomes at ngomes@medicusit.com.

Featured Properties of NAI James E. Hanson



1135 Broad Street
Clifton, NJ
7,796 sf for lease
Medical Office



201 Rock Road
Glen Rock, NJ
2,753 sf for lease
Medical/Retail/Office



23-00 Route 208
Fair Lawn, NJ
5,014 sf for lease
Medical Office



218 Route 17 North
Rochelle Park, NJ
26,602 sf for lease
Medical Office



140 Prospect Avenue
Hackensack, NJ
7,700 sf for lease
Medical Office



61 West Pleasant Avenue
Maywood, NJ
2,000 sf for lease
5,865 sf for sale
Medical/Retail/Office



535 High Mountain Road
North Haledon, NJ
24,682 sf for lease
6 Medical Office Suites



75 Orient Way
Rutherford, NJ
4,654 sf for lease
(last remaining suite)