

Northern & Central NJ 4Q 2021 Report

FEATURING

“4Q State of The Union”

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



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



TEAM LIZZACK-HORNING



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

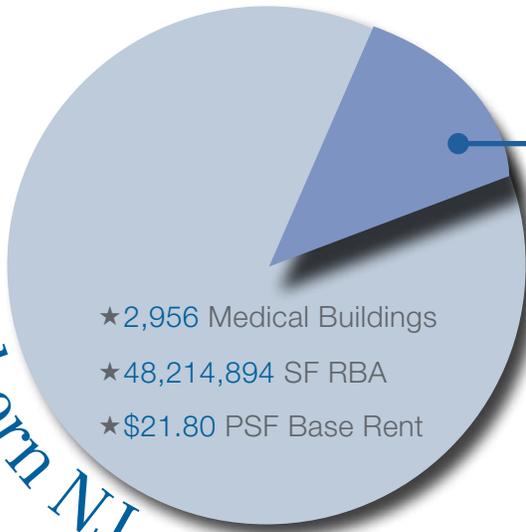
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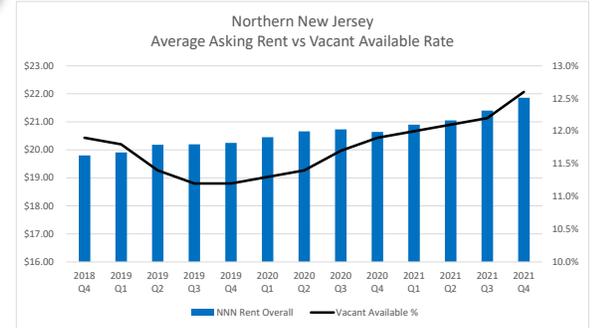
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Northern NJ



Bergen County

- ★ 428 Medical Buildings
- ★ 6,692,738 SF RBA
- ★ \$25.53 PSF Base Rent



TOP SALES & LEASES

SALES

89,159 SF | \$52,020,000

1 Hospital Plaza (Raritan Bay Medical Center)
Old Bridge, NJ

Buyer: Physicians Realty Trust
Seller: Landmark Healthcare

15,940 SF | \$6,800,000

225 May Street, Edison, NJ

Buyer: 225 May Street TPI, LLC
Seller: 225 May Street Associates

LEASES

10,000 SF | 550 Kinderkamack Road, Oradell, NJ

7,112 SF | 500 N Franklin Tpk, Ramsey, NJ*

5,794 SF | 1 W Ridgewood Avenue, Paramus, NJ

5,490 SF | 65 Harristown, Road, Glen Rock, NJ*

**NAI Hanson Transactions*



Team Lizzack-Horning
Sells Surgical Center
in Tenafly, NJ



STATE of the UNION

By: *Darren Lizzack, MSRE and Randy Horning, MSRE*

State of the Union: Healthcare

Always considered a resilient sector, experts nonetheless worried about the healthcare real estate market when COVID-19 arrived in 2020. While its growth slowed initially, it didn't take long for healthcare real estate not only to regain but begin to increase its momentum.

According to panelists at the Globe St. Healthcare Real Estate national conference, "savvy investors could profit nicely if they navigate [the market] correctly." Medical offices, for example, offer an opportunity for investment. These spaces recovered more quickly from the pandemic and have less uncertainty, as shown by past precedent.

For example, during the financial crisis that began in 2008 and lasted for four years, the medical office building (MOB) sector still did well. Experts agree that while office space will continue to face challenges, MOB's remain a strong option for investment, showing more clarity in long-term demand.

Healthcare RE tends to remain stable even throughout the real estate market's peaks and valleys. It is, however, a complex industry, requiring detailed demographic analyses. Investors must understand many more dynamics including which practices are most likely to thrive in certain locations.

The industry has changed considerably. No longer are single person or "mom and pop" practices common. Instead, the smaller practices originally inhabiting medical offices have been replaced by large-scale systems, hospitals, and even private equity groups that have acquired specialty practices.

New Developments and Leasing

Healthcare facilities like ambulatory and outpatient care services are sprouting up within urban communities throughout the country. Larger networks have opted to build or open treatment centers that are better equipped than smaller clinics to offer a wider depth and breadth of services, but at a fraction of the cost than traditional hospitals.

It's also more cost-effective to consolidate healthcare services under one roof. This "one stop shopping" approach to healthcare delivery benefits both the providers and their patients. It's also a product of the complexities and reality associated with providers' "risk-based reimbursement."



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The pandemic did result in some delayed lease payments, but the stimulus package helped tenants meet their obligations. Yet even during the worst of the pandemic, fewer healthcare organizations struggled to meet their rent obligations.

[According to one firm](#), of its 450 non-REIT tenants, 93 requested rent-relief requests in April 2020 (fewer than 25%). The firm also worked out rent-deferment agreements on a case-by-case basis and directed its tenants to SBA loan options, when appropriate. Fifty-three percent of 195 REIT tenants requested rent relief—granted to 10 at a 5% interest rate, which the firm anticipated recovering within the year.

[The Centers for Medicare and Medicaid Services](#) says national health expenditures averaged \$11,582 per person in 2019, totaling \$3.8 trillion. The organization anticipates a 5.4% annual growth rate to \$6.2 trillion through 2028—or nearly 20% GDP.

An individual real estate investor can purchase a medical facility and serve as the landlord to the building's tenants. Another investment option, however, is healthcare real estate investment trusts (REITs).

Healthcare REITs

Healthcare real estate is a low-risk investment with the potential for large rewards. Many experts predict the future growth of healthcare REITs will be strong. The nation's population of older citizens (65+) will double by 2050; the 85+ demographic should double by 2040. Older Americans rely on healthcare services much more than younger people. The National Health Expenditure data shows an average person spending \$7,100 annually on healthcare. But those in the 65-84 age group spend an average of \$15,900 and those 85+ spend an average of \$34,800. An aging population will likely create rising demand for healthcare—and thus the need for healthcare properties will increase to meet that demand.

Currently, [REITs own less than 15% of the U.S. healthcare properties, which are valued at \\$1.1 trillion](#). The opportunity for tremendous growth within the existing market—especially for outpatient medical facilities—can't be understated.



Healthcare REITs are attractive options for long-term growth because they include properties like assisted living, hospitals, and surgery centers. People exploring REITs should choose a healthcare REIT that's flexible and dynamic—one able to take advantage of new investment opportunities as they arise. Whether you're considering an all-in-one, an REIT with a strong dividend record, or considering a higher yield, higher risk REIT, makes sure you look at:

- The type of properties in which the REIT invests
- The services provided within the real estate
- The strength of the operators

To explore options and access everything you need to know about investing in healthcare real estate, talk to the professionals in [CREA United's Medical & Healthcare Real Estate Group](#). This group comprises top-level leaders with a deep understanding of the healthcare market.

4Q2021

NAI James E. Hanson
COMMERCIAL REAL ESTATE SERVICES WORLDWIDE

YTD TRANSACTIONS OF TEAM LIZZACK-HORNING



ADDRESS	CITY, STATE	SIZE (sf)	SALE/LEASE
2 Dean Drive, Suite 3N	Tenafly, NJ	2,470	Sale
500 N. Franklin Turnpike, Suite 318	Ramsey, NJ	7,112	Lease
65 Harristown Road	Glen Rock, NJ	5,490	Lease
23-00 Route 208	Fair Lawn, NJ	3,741	Lease
208 Harristown Road	Glen Rock, NJ	3,221	Lease
526 E. Broad Street	Westfield, NJ	2,800	Sale
1777 Hamburg Turnpike	Wayne, NJ	2,608	Lease
17-15 Maple Avenue	Fair Lawn, NJ	2,500	Lease
59-61 West Pleasant Ave	Maywood, NJ	2,437	Lease
605 Broad Avenue, Suite 201	Ridgefield, NJ	2,393	Sale
1124 E Ridgewood Ave	Ridgewood, NJ	1,230	Sale
400 Franklin Tpke	Mahwah, NJ	1,212	Sale

FEATURED MEDICAL PROPERTIES OF TEAM LIZZACK-HORNING



Clara Maass Medical Campus
Belleville, NJ
606 - 26,823 sf for lease



23-00 Route 208
Fair Lawn, NJ
25,944 sf for sale



81 E Route 4
Paramus, NJ
20,000 sf for sale or lease



305 W. Grand Ave
Montvale, NJ
1,320 - 9,003 sf for lease



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



364 Lafayette Avenue
Hawthorne, NJ
3,851 sf for sale or lease



1124 E. Ridgewood Avenue
Ridgewood, NJ
1,654 & 4,629 sf for sale or lease



4 Hunter Street
Lodi, NJ
1,608 sf for lease