At a Glance...

- There are currently 1,865 medical buildings in Northern New Jersey, which consists of 13 counties, representing 25,853,692 square feet.
- The Bergen County market accounts for 276 (15%) of those medical buildings or 3,742,541 square feet.
- Average asking rates ended the quarter at $19.51 per square foot base rent in Northern New Jersey compared to $23.10 per square foot base rent in Bergen County.

A Message From Team Lizzack/Horning...

With all the changes evolving in healthcare over the past few years, and 2015 being no different, we must look at statistics and other aspects of the marketplace to get an overall picture of the healthcare footprint. The imminent changes in healthcare are going to be more complex than ever before. There are a variety of professionals that get involved in these types of projects; including but not limited to a commercial realtor, banker, architect, engineer, contractor, CPA, attorney, insurance provider, IT specialist, furniture & equipment specialist etc. Planning and implementation take patience and strong due diligence, and their successes rely heavily on guidance provided for by expertise in various disciplines. Please enjoy this 4th Quarter 2015 Medical Office Report and Outlook into what’s to come in 2016.

Key 2015 Statistics

We leased 47,002 square feet totaling $6,914,799 in lease value
We sold a transaction value of $2,695,000
We currently have inventory totaling $22,700,000 under contract

2016 Healthcare Outlook

A Medicare Advisory Commission, advocated that Medicare should base payments on the quality care regardless of the setting in which the services are provided. As a result, this will significantly change how the Centers for Medicare and Medicaid Services (CMS) reimburse hospitals for most outpatient services furnished in off-campus hospital departments acquired after November 2, 2015.

An off-campus hospital outpatient department which is located more than 250 yards from the main campus will now be reimbursed based upon the Medicare Physician Fee Schedule and will not be entitled to the additional facility fee previously billed by the hospital. A grandfather provision has been included in the Act whereby facilities that were billing Medicare prior to November 2, 2015 would be allowed to continue to bill Medicare as a hospital department. Dedicated emergency departments of the hospital are also exempted from this new Act.

Medicare estimates that this reform will reduce spending by $9.3 billion over the next ten years. This Act will have a direct impact on hospitals and health system development strategies for 2016 and beyond.

Deborah Nappi, CPA, MST

*All information comes from sources deemed reliable from NAI James E. Hanson.*
Leasing and Sales Activity

The fourth quarter ended the year with 146,632 square feet leased in Northern New Jersey. On a year over year basis, compared to 2014, leasing is down 191,151 square feet. Net absorption continued to remain positive and ended the fourth quarter at 66,220 square feet. Net absorption for 2015 in Northern New Jersey was 329,373 square feet. Average asking rates ended the quarter at $19.69 per square foot (base rent). These rates are up slightly from the previous quarter. Compared to a year ago in the fourth quarter of 2014, rates are up $0.46 per square foot (base rent). Vacancy decreased slightly to 18.3% in the fourth quarter. Compared to the fourth quarter of 2014, rates are down 0.6%.

There was 40,691 square feet leased in the fourth quarter of 2015 in Bergen County. Leasing is down 26,810 square feet in 2015 compared to 2014. Vacancy decreased from 9.6% in the third quarter of 2015 to 8.3% in the fourth quarter of 2015. Compared to the fourth quarter of 2014, vacancy is down 1.1%. Net absorption ended the fourth quarter at 13,808 square feet and ended the year on a positive note at 8,530 square feet. Average asking rates ended the year at $22.89 per square foot (base rent). Rates are up $0.35 per square foot from the fourth quarter of 2014.

### LEASE TRANSACTIONS

- 305 W Grand Ave., Montvale - 9,751 sf
- 91 Route 4 E., River Edge - 7,500 sf*
- 17-15 Maple Ave., Fair Lawn - 2,500 sf*

*NAI Hanson Deal

### SALES TRANSACTIONS

- 556 Morris Ave., Summit
  - 899,316 sf sold for $90,000,000
  - Buyer: Celgene Corporation
  - Seller: Merck & Co., Inc.

- 1211 Hamburg Tpke., Wayne
  - 42,945 sf sold for $5,400,000
  - Buyer: Ganchi Plastic Surgery
  - Seller: Norse Realty Group, Inc.

Alzheimer’s Memory Care Facility Opens on Busy Route 4

The Regency Memory Care Club in River Edge, NJ designed by The Ives Architecture Studio has opened for business. This facility serves those with Alzheimer’s and Dementia. NAI Hanson facilitated the deal.

The location on Route 4 East was formerly Coconuts Music and later the Halloween Store, but has been unoccupied for awhile. The Regency management made a carefully researched real estate decision and chose a prominent retail site on a busy highway rather than locate in a hard to find space in the back of an industrial park. This facility serves those needing day care who are suffering with this dreaded disease which affects 1 in 9 Americans over 65 years of age. Working with the Regency expert staff, The Ives Studio performed “fit-studies” for a number of locations before this site was selected. The architect employed the latest medical theory to accommodate those suffering from memory loss so that they can maintain an active lifestyle outside of the home.

Joel Ives, A.I.A., P.P., NCARB
The Ives Architecture Studio LLC

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Featured Properties of NAI James E. Hanson

- **206 Bergen Avenue**
  - Kearny, NJ
  - 5,000 sf for lease (1st fl)
  - 3,600 sf for lease (2nd fl)

- **140 N Route 17**
  - Paramus, NJ
  - Build-to-suit
  - 4,000-5,000 sf retail/med for lease
  - 8,000-12,000 sf med/office for lease

- **75 Orient Way**
  - Rutherford, NJ
  - 4,654 sf for lease

- **1065 Bloomfield Avenue**
  - Clifton, NJ
  - 15,186 sf for lease on 2nd floor
Healthcare Specialists

Over the past several years, Darren has completed over a million square feet of commercial space and has worked with prominent firms such as the Fertility Institute of New Jersey and New York, American Red Cross, Bergen Ambulatory, Advanced Diagnostic Imaging, Advanced Hormone Solutions, LLC, Pinnacle MRI Group, LLC and Total Physical Therapy.

Mr. Lizzack also founded the New Jersey Commercial Real Estate Alliance (www.njcrea.com) which is comprised of six divisions (Executive Board, Healthcare, Multi-family, Retail, Office, Industrial) and by the end of 2016, more than 80 firms all focused on commercial real estate. Mr. Lizzack heads the Executive Board and the Healthcare Division under his leadership; together they solve any type of commercial real estate project from inception to completion.

Since 2007, Randy has been involved in over 100 lease and sale transactions in commercial real estate and has completed market valuations on office, industrial, retail and investment properties. Randy is highly skilled in negotiation, research, data verification, financial analysis and also possesses outstanding reporting, presentation, leadership and communication skills.

Congratulations to Randy on completing his Masters of Science in Real Estate with a concentration in Finance and Investment from NYU’s School of Professional Studies!

About NAI James E. Hanson

NAI James E. Hanson is committed to providing the highest quality commercial real estate services since opening in 1955.

Our staff 60+ includes: 10 SIOR designees (highest in NJ)
  3 CCIM designees
  3 MSRE designees (NYU graduates)

We are a part of NAI Global, a managed network of over 6,700 professionals with over 375 offices in 55 countries and is one of the largest commercial real estate service providers worldwide.

#1 Global CRE Provider (Based on coverage by # of offices)
#1 Network (Based on performance – Watkins and CRE Service Providers Survey)
#1 Global Broker of the Year (Private Equity Real Estate Magazine)
#1 Instructor of the Year SIOR
#1 Network (Based on transaction volume)
#3 Brokerage Organization (Based on RE Forum’s Forum 100)