Medical Office 2Q’16
Market Report

At a Glance...

- There are currently 1,931 medical buildings in Northern New Jersey, which consists of 13 counties, representing 27,160,027 square feet.

- The Bergen County market accounts for 287 (15%) of those medical buildings or 3,670,494 square feet.

- Average asking rates ended the quarter at $19.36 per square foot base rent in Northern New Jersey compared to $22.77 per square foot base rent in Bergen County.

Market Update

The Northern New Jersey market saw over 213,000 square feet leased in the second quarter of 2016. Net absorption remained positive with over 332,000 square feet absorbed and vacancy rates have remained unchanged at 15.3%. Average asking rates ended the quarter at $19.36 per square foot (base rent). This is a decrease of $0.17 per square foot from the first quarter of 2016; however, rates are up $0.12 per square foot compared to the second quarter of 2015.

Top lease transactions for the quarter include 15,269 square feet at 303 George Street in New Brunswick; 11,973 square feet at 234 Hamburg Turnpike in Wayne; 7,108 square feet at 1 Paragon Drive in Montvale; and 5,911 square feet at 7650 River Road in North Bergen.

Bergen County ended the second quarter of 2016 with over 46,000 square feet leased. Average asking rates ended the quarter at $22.77 per square foot (base rent). Rates decreased $0.12 per square foot from the first quarter and are down $0.38 per square foot from the second quarter of 2015. Vacancy increased slightly to 11.3% to end the quarter and net absorption continued to post negative numbers ending at -30,659 square feet.

Top Transactions for 2Q’16

SALES
155 Polifly Rd, Hackensack
45,912 sf sold for $4,200,000
Buyer: Polifly Group LLC
Seller: Impact Realty
*NAI Hanson represented the buyer & seller

301 Godwin Ave, Midland Park
9,444 sf sold for $1,650,000
Buyer: The Valley Hospital Renal Care Center of Fair Lawn
Seller: 301 Godwin Avenue Associates

LEASES
15,269 sf - 303 George St, New Brunswick
11,973 sf - 234 Hamburg Tpke, Wayne
7,108 sf - 1 Paragon Dr, Montvale
5,911 sf - 7650 River Rd, North Bergen

All information comes from sources deemed reliable from NAI James E. Hanson.
8th Annual 
NJASC Conference

Article Written By: Mark Manigan, Esq.

Brach Eichler, LLC hosted the 8th Annual New Jersey ASC Conference on May 3rd and 4th at the Borgota Hotel Casino & Spa in Atlantic City. Chaired by Mark Manigan, with Debra Lienhardt serving as Event Coordinator, the Conference welcomed industry experts, insurers, healthcare providers, and state officials to discuss the issues Ambulatory Surgery Centers face in today’s market.

The event welcomed key government leaders, including Assemblyman Herb Conaway Jr. and Senator Joseph Vitale, who spoke about legislation affecting ASCs and the New Jersey healthcare system generally. One topic of discussion was the proposed out-of-network bill, which seeks to curb the burden on patients when they are unknowingly treated by out-of-network providers. Senator Vitale highlighted that the bill seeks to remedy the tug-of-war that occurs between providers and payors when out-of-network services are provided, but leaves the patient out of it.

Tiered network bills were an expected hot topic at the Conference. Assemblyman Conaway spoke at length about the importance of transparency when it comes in tiered plans in an effort to even the playing field for providers and insurers. At the same time, Matthew Fulton, RWJBarnabas’ Senior Vice President of Business Development, highlighted that tiered plans give employers money saving options. Fulton spoke at length regarding the role ASCs play in connection with tiered networks, which can provide better access to healthcare by partnering with the top tier hospitals and healthcare systems.

Also discussed was the bill regarding one-room registered surgical centers, which recently came out of the Assembly Health Committee, chaired by Assemblyman Conaway. The bill seeks to allow one-room surgery centers to merge together or with larger licensed surgery centers, thereby strengthening their foothold in the industry. The bill proposes an incremental tax increase for centers which chose to merge, lessening the financial burden on the facilities.

Featured Medical Office Properties of NAI James E. Hanson

75 Orient Way
Rutherford, NJ
2,059-4,654± sf for lease

37-39 S Washington Avenue
Bergenfield, NJ
5,350 sf for lease
12,500 sf for sale

122 E Ridgewood Avenue
Paramus, NJ
2,224 sf for lease
2,155 sf for lease

1065 Bloomfield Avenue
Clifton, NJ
15,186 sf for lease (2nd floor)
With healthcare costs continuing to rise and employers looking for an opportunity to reduce costs, the reemergence of tiered networks has been introduced through the narrow network plans. This resulted in much controversy and opposition from the hospitals and the healthcare community in New Jersey. These plans divide physicians and hospitals into either a Tier 1 or Tier 2 narrow network. Healthcare providers who agree to participate in these restricted networks agree to accept a lower rate of reimbursement for their services from the insurance payers with the expectation of increased patient volume.

The tiered network plans offer financial incentives to patients who choose the most cost-effective physicians and hospitals in exchange for less flexibility when choosing their physicians or hospitals. Payers utilize financial incentives such as cheaper co-pays to motivate patients to obtain care from these plans. The savings for the employers ranges from 5 to 20 percent.

One of the forces driving the tiered networks are employers who want to provide employees with access to quality healthcare while also controlling the costs of providing those health benefits as well as consumers who are looking to obtain less expensive health insurance through the insurance exchanges.

Lawsuits have been filed against the tiered network plans regarding the lack of transparency with providers, members, and the general public as to the mechanics of the methodology and process as well as failure to include providers and members in developing the methodology in the tier selection process. As a result of these lawsuits, the New Jersey State Legislature has introduced bills to improve the design and establish standards for the tiered plans as well as increase the transparency on the development of these plans. These plans will continue to grow in popularity as healthcare costs continue to increase.

**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 70+ 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.