Medical Office 3Q’16
Market Report

At a Glance...

- There are currently 1,940 medical buildings in Northern New Jersey, which consists of 13 counties, representing 26,836,412 square feet.
- The Bergen County market accounts for 288 (15%) of those medical buildings or 3,622,852 square feet.
- Average asking rates ended the quarter at $19.12 per square foot base rent in Northern New Jersey compared to $22.75 per square foot base rent in Bergen County.

Market Update

The Northern New Jersey market saw over 132,000 square feet leased in the third quarter for 2016. Average asking rates decreased from $19.40 per square foot base rent in the second quarter of 2016 to $19.12 per square foot in the third quarter. Rates are down $0.37 from the third quarter of 2015. Vacancy decreased from the previous quarter ending at 12.5% and net absorption remained positive with over 109,000 square feet absorbed. This is the lowest the vacancy has been since the third quarter of 2011. Top lease transactions for the quarter included 9,235 square feet at 100 Bauer Drive in Oakland; 6,000 square feet at 479 Route 520 in Marlboro; 4,905 square feet at 361 Highway 31 in Flemington; and 4,485 square feet at 245 Main Street in Chester.

Bergen County saw over 32,000 square feet leased in the third quarter of 2016. Average asking rates remained flat and ended the quarter at $22.75 per square foot base rent. Rates are down $0.25 per square foot from the third quarter of 2015. Vacancy decreased 1% from the previous quarter ending the third quarter at 8.8%. Net absorption ended on a positive note with over 38,000 square feet absorbed.

Top Transactions for 3Q’16

SALES
699 Teaneck Road, Teaneck
16,833 sf sold for $3,410,000
Buyer: Holy Name Medical Center
Seller: Teaneck Radiology

97 Linden Avenue, Elmwood Park
13,740 sf sold for $1,912,500
Buyer: Pinnacle MRI Group
Seller: Kensington Associates LLC
NAI Hanson represented the seller

LEASES
9,235 sf - 100 Bauer Drive, Oakland
6,000 sf - 479 Route 520, Marlboro
4,905 sf - 361 Highway 31, Flemington
4,485 sf - 245 Main Street, Chester

All information comes from sources deemed reliable from NAI James E. Hanson.
When leasing or selling medical properties it is prudent to verify that the property can actually be for the intended use.

The first requirement is to check the zoning to see if the municipality will allow healthcare use. Next, architects will look at the State building code, which provides very little specific information for designing a healthcare facility. Most state codes, including New Jersey, require healthcare projects to be in conformance with The Facility Guidelines Institute (FGI) “Guidelines for Design and Construction of Hospital and Outpatient Facilities” and “Guidelines for Design and Construction of Residential Health, Care, and Support Facilities.” This is our healthcare design bible.

A 100-member, multidisciplinary Health Guidelines Revision Committee revises and updates the text every four years. As Healthcare Designers, we currently use the 2014 guidelines. Some of the changes proposed for the 2018 version include:

**Hospitals and Outpatient Facilities:**
- New guidance on design of telemedicine spaces
- New design requirements for accommodations for care of patients of size
- Clarification of procedure room and operating room requirements: procedure types, facility types, hybrid ORs
- New classification structure based on procedures performed and patient acuity for determining imaging room requirements
- New flexibility in pre- and post-procedure patient care area design requirements
- Two options for sterile processing area design: two required rooms (decontamination and clean) with an exception for a single room for small tabletop sterilizers
- New design requirements for a sexual assault forensic examination room
- Revised mobile/transportable medical unit chapter
- Updated acoustics requirements
- Expanded sustainability requirements re: waste minimization, potable water, and energy efficiency
- Revised guidance for emergency preparedness and management (formerly provisions for disasters)

**Residential Healthcare and Support Facilities:**
- Updated acoustics and lighting requirements
- Updated minimum requirements for grab bar configurations to align with the latest research
- New chapter on settings for individuals with intellectual and/or developmental disabilities
- New chapter on long-term residential substance abuse treatment facilities
- New telemedicine section to address the increasing provision of telemedicine services in residential facilities
- Language shift from “bariatric resident” to “person of size” since people who need accommodations include those who are not necessarily obese or receiving treatment for obesity, such as very tall people

Since the current FGI Guidelines (about 690 pages) has a dramatic effect on the viability, functionality and cost of healthcare projects, it is important when developing a healthcare project to have a full understanding of all requirements.
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.

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Featured Medical Office Properties of NAI James E. Hanson

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

23-00 Route 208
Fair Lawn, NJ
150-3,591± sf for lease

6 Arrow Road
Ramsey, NJ
17,576 sf for sale/lease

1065 Bloomfield Avenue
Clifton, NJ
15,186 sf for lease (2nd floor)