1Q 2017
Medical Office Report

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At a Glance...

• There are currently 1,969 medical buildings in Northern New Jersey, which consists of 13 counties, representing 27,031,851 square feet.

• The Bergen County market accounts for 292 (15%) of those medical buildings or 3,665,280 square feet.

• Average asking rates ended the quarter at $19.23 per square foot base rent in Northern New Jersey compared to $22.24 per square foot base rent in Bergen County.

Market Update

There was over 178,000 square feet leased in the first quarter of 2017 in the Northern New Jersey market. Average asking rates ended the quarter at $19.23 per square foot. Rates have remained flat from the previous quarter and are down $0.12 per square foot from the first quarter of 2016. Vacancy ended the quarter at 11.6%. This is a slight decrease of 0.2% from the fourth quarter of 2016 and is down 0.6% from the first quarter of 2016. Net absorption remained positive with over 75,000 square feet absorbed in the first quarter of 2017.

Bergen County saw over 21,000 square feet leased in the first quarter of 2017. Average asking rates ended the quarter at $22.24 per square foot. Asking rates decreased $0.30 per square foot from the previous quarter and are down $0.72 per square foot from the first quarter of 2016. Vacancy ended the quarter at 8.8%, which is a 0.2% increase from the previous quarter. Vacancy is down 0.6% from the first quarter of 2016. Net absorption ended negatively for the quarter with -8,649 square feet absorbed.

Hackensack University Medical Center has announced a 300,000 square feet expansion at the Hackensack campus. If approved, it would add new operating rooms and private patient rooms. Construction is tentatively scheduled for 2018.

Top Transactions for 1Q’17

SALES
825 Rahway Avenue, Union
20,173 sf sold for $3,900,000
Buyer: Valley Ridge Development Co
Seller: Tru Med Properties II LLC

199 Baldwin Road, Parsippany
18,988 sf sold for $2,900,000
Buyer: Dermatology Associates-Morris
Seller: LCL Management

LEASES
25,000 sf - 29 McBride Avenue, Paterson
13,000 sf - 540 Straight Street, Paterson
12,016 sf - 700 Route 46 E, Fairfield
10,800 sf - 330 Passaic Avenue, Fairfield

All information comes from sources deemed reliable from NAI James E. Hanson.
The Valley Hospital announced it is building a new main campus near its existing satellite, The Robert and Audrey Luckow Pavilion in Paramus.

The hospital has been unsuccessful in its previous attempts to expand its current location in Ridgewood — where it has been since 1951 — and on Feb. 1 will file a Certificate of Need application with the New Jersey Department of Health seeking approval for the move.

The new hospital has not yet been designed, but the concept includes a three- to seven-story facility with 372 beds, and measuring roughly 910,000 square feet.

The cost of the new facility is estimated at $735 million, according to Valley.

The patient beds will be in single rooms, rather than traditional shared spaces, according to a statement from Valley.

“Research has found that patients cared for in single-patient rooms experience shorter lengths of stay, fewer sleep disturbances and lower rates of hospital-acquired infections.

The plans for the new hospital also call for the creation of universally sized rooms for surgery and procedures. These rooms will be designed to accommodate the latest in health care technology and meet all of the standards to allow them to be used for general surgery, minimally invasive robotic surgery, cardiac catheterizations or endovascular procedures,” according to the statement.

With the move, the Ridgewood location will be repurposed to an urgent care and lab facility, as well as include ambulatory and outpatient services.

“The ‘New’ Valley Hospital will combine Valley’s exceptional level of care and dedicated staff with the latest innovations and advancements in health care,” said CEO and President Audrey Meyers. “This new, state-of-the-art facility will allow us to raise the bar in all that we do — providing world class health care, strengthening our communities and helping people and families live healthier lives.”

When asked what the hospital plans to do if the Department of Health doesn’t approve the Certificate of Need, Meyers said officials are optimistic it will be approved.

“They have approved all the hospitals that have needed to relocate (in the past),” she said, adding that the show of support through the ranks of government was an indication that it would go through.

“This is a milestone day for Bergen County,” Tedesco said. “Valley’s commitment to the community has been unwavering, and this exciting project will not only provide greater access to health care for the residents of Bergen County, but will also strengthen our local economy by creating new jobs. Bergen County is well on its way to becoming the health care hub of the state.”

Valley anticipates breaking ground in 2019 and completion by 2023.
It’s Important to Consider ADA When Leasing Medical Space

The law requires that offices be accessible to all and it is clear that doctors are more likely to have patients with physical limitations than a typical tenant. Therefore, when planning to lease medical space, it must be demonstrated early on by the use of “fit-study” that the appropriate clearances can be achieved. You don’t want to end up after an exhaustive search with a disaster on your hands since, larger toilets, clearances and wheelchair access to exam rooms cannot accommodated per The Americans with Disability Act (ADA). The Ives Architecture Studio, working closely with brokers who specialize in healthcare spaces, understands that medical spaces often have longer leases due to the high initial construction costs and difficulties in relocating. Some of the older spaces have a myriad of ADA violations.

We have found that building inspectors hold medical offices to a higher standard in providing accessible facilities and have gone so far as to demand renovations on newly constructed medical offices due to fine points in the Building Code. This affects not only the floor plan, but the vertical dimensions of sinks and counters so, it’s better to have an experienced healthcare architect involved in your project from the beginning. The photograph is of a recently designed pediatrician’s office by The Ives Architecture Studio. It shows how a beautiful office can be designed with the drop down surfaces in the receptionist counter to allow for wheel chair access. Make sure a “fit-study is prepared before you sign on the dotted line so that you will confirm that ADA requirements are met.

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

615 Franklin Turnpike
Ridgewood, NJ
5,545 sf for lease

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