In this issue...

Steven Gelbtuch discusses Stonegate Buildings’ current view of the market;

Michael Fishweicher, President of EMR Consultants, talks about electronic medical records;

and Joel Ives of The Ives Architecture Studio discusses how to deal with pre-existing conditions in medical buildings.
Medical Office 2Q’17
Market Report

At a Glance...

- There are currently 1,974 medical buildings in Northern New Jersey, which consists of 13 counties, representing 26,669,949 square feet.
- The Bergen County market accounts for 296 (15%) of those medical buildings or 3,746,686 square feet.
- Average asking rates ended the quarter at $20.13 per square foot base rent in Northern New Jersey compared to $23.10 per square foot base rent in Bergen County.

Market Update

The Northern New Jersey market saw over 103,000 square feet leased in the second quarter of 2017. Average asking rates ended the quarter at $20.13 per square foot, an increase of $0.69 per square foot from the second quarter of 2016. The vacancy at the end of the quarter was 10.5%. Vacancy is down 0.5% from a year ago in the second quarter of 2016. Net absorption ended negatively with -12,114 square feet absorbed.

The Bergen County market saw over 22,000 square feet leased in the second quarter of 2017. Average asking rates have slightly increased and ended the quarter at $23.10 per square foot. Compared to a year ago in the second quarter of 2016, the rate is up $0.34 per square foot. Vacancy ended the quarter at 9.7%, which is down 1.1% from the second quarter of 2016. Net absorption ended negatively with -42,930 square feet absorbed.

NJBiz recently published an article from The Leapfrog Group in regards to hospital safety scores. There were 27 “A” grade hospitals in New Jersey; among them was The Valley Hospital. Hackensack University Medical Center scored a “B” and there weren’t any hospitals that scored a “F”. To see the full list, please visit www.hospitalsafetygrade.org.

Top Transactions for 2Q’17

SALES
- 600 Pavonia Avenue, Jersey City
  85,000 sf sold for $20,000,000
  Buyer: Rhodium Capital Advisors
  Seller: Irving & Tolentino

- 385 Prospect Avenue, Hackensack
  61,905 sf sold for $4,500,000
  Buyer: Simone Development Company
  Seller: CW Capital

LEASES
- 10,000 sf - 234 Industrial Way, Eatontown
- 7,100 sf - 600 Pavonia Avenue, Jersey City
- 5,000 sf - 134 Evergreen Place, East Orange
- 4,167 sf - 66 Moore Street, Hackensack
Stonegate Buildings’ View of the Medical Office Market

By: Steven Gelbtuch

Of all the real estate market sectors gaining foothold, nowhere is the impact likely to be as great—at least in the near term—as in healthcare. Stonegate Buildings, a real estate firm that owns a few dozen medical office and multi-family properties in Northern New Jersey suggests that the biggest returns on investment for medical office properties are likely to come from densely populated areas within a 5-10 mile proximity to hospitals and medical facilities. Areas like Northern New Jersey benefiting from favorable demographics, proximity to major medical institutions and attractive transportation options makes it one of the most sought after medical markets in the State of New Jersey. Stonegate expects to see continued growth and strength in the healthcare industry and the real estate it occupies locally.

Steven Gelbtuch of Stonegate indicates that during the 2nd quarter his firm signed leases for 2,000 sf at its Fort Lee Medical Arts Building to Hackensack Cardiology Group and 3,000 sf to Riverside Medical Group for $30.00 per square foot. Additionally, the firm signed a lease for 1,500 sf to a private practice cardiology group at its Fair Lawn Medical Building at similar rates. This attests to the steady demand for medical space which has dropped vacancies into the single digits in these markets and has fueled rental-rate increases throughout the industry. That coupled with the overall increase in real estate values caused smaller practices facing increased overhead to explore merging with larger medical practices to help them compete more effectively in today’s challenging healthcare environment.

Stonegate indicates that as of late it’s been getting requests from physicians exploring the idea of a new born concept for co-share medical space. Much like the co-work business model which provides shared workspace and services for entrepreneurs and small businesses, many of these medical groups are looking to capitalize on sharing ancillary services and spread the cost of cutting-edge technology, equipment, and staff across a wider base while also increasing reimbursement to the practice.

Most medical office space, Gelbtuch says, is designed to be used by mid-to-large-sized practitioners who require between 5,000 and 7,000 sf of space. For the physicians who don’t have staff of their own, or who simply need a satellite office location one or two days a week, this opens new opportunities for medical entrepreneurs. It’s an active specialty market starting to gain momentum driven by the adjustments in the medical industry and landlords need to see it as a future trend not a fad. Gelbtuch said he encourages well-established owners of medical office properties to consider alternative shared workspaces as a viable option and tries to change their perception that co-working is just for millennials working in tech-startups. Successful landlords will be the ones to adapt to the change and incorporate the collaborative and shared workspaces into the design of their buildings in response to the change and demand in the new healthcare environment.
In today’s digital age of efficiency, it is becoming increasingly more difficult to make a case for a physician to rely on the traditional ‘paper and pen’ for patient clinical documentation. Electronic Medical Records, once considered by some to be ahead of its time, has taken a front seat in today’s modernized medical practice. With the right software package, a physician can literally cut their workload in half and see more patients with the added free time, earning additional revenue. In addition to the added benefits that EMR adds to a physician’s quality of life, it now also protects them against a handful of malpractice risks that were once unavoidable. The key however is picking the right software package for your specialty, needs and practice. Many physicians relate their hesitations towards using such technology to worries about their patients thinking that they aren’t receiving their full attention, but thanks to modern tablet and mobile computing technology, doctors aren’t even losing eye contact with their patients whatsoever. In fact, most patients that walk out of a practice that is digitized think much more of their doctor because they care about their patients enough to invest in the best technology in their practices. Other hesitations may include a resistance to change the way one sees their patients, but with the right technology partners and advisors, that doesn’t need to happen. A good system changes for you; not the other way around. For more on what EMR Consultants can do for you, call us today at 1-877-219-0663 or visit our website at www.EMRConsultants.com.

“Pre-existing Conditions”
In Medical Buildings

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

There has been much heated discussion in our nation with respect to how to deal with “pre-existing conditions” in health plans. Undoubtedly peoples’ lives hang in the balance as a result of these critical decisions. In a parallel universe of the construction world, “unknown pre-existing conditions” often affect the health, safety and welfare of a building’s occupants. Just as a doctor examines a patient, The Ives Architecture Studio working with our engineer consultants survey buildings to determine whether they will function safely. With respect to medical spaces and buildings this is of particular concern since many people using these facilities are not 100% physically able to fend for themselves in an emergency or have weakened immune systems that could be affected by poor environmental conditions. We are all affected by hazardous materials, deteriorating facades and leaking roofs which can result in dangerous mold. During medical building renovations we have run into termites, asbestos and lead paint. When designing a tenant fit-up for a medical space the electrical loads need to be considered as well as the HVAC, plumbing and structural capacity. These “pre-existing conditions” can make or break a deal and are often invisible issues when lease negotiations are taking place or properties are being bought or sold. The best approach is to consult with seasoned architects and engineers to make sure that you will not run into major problems after you’ve signed a lease or constructed a medical building. Pre-existing building conditions need to be understood so that a properly designed medical building will keep nature’s elements outside of the building and keep its occupants safe, warm and comfortable inside.

Featured Medical Office Properties of NAI James E. Hanson

653 Willow Grove Street
Hackettstown, NJ
40,850 sf for sale or lease

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

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

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