

Northern & Central NJ 3Q 2021 Report

FEATURING

“State of the Union - 3Q 2021 Healthcare”
by **Darren Lizzack, MSRE** and **Randy Horning, MSRE**



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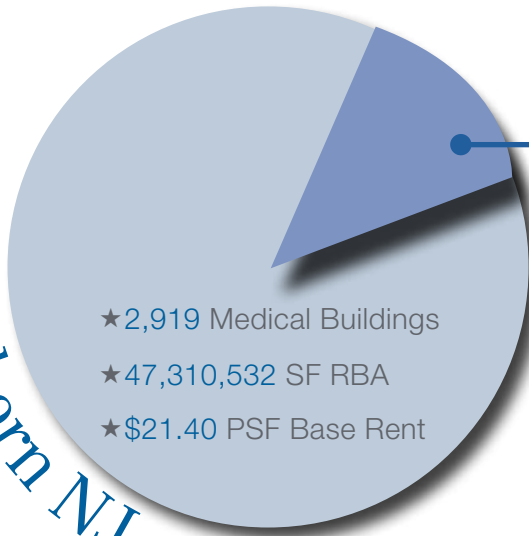
SERVICES OFFERED

Brokerage • Property Management • Corporate Services • Financing • Logistics • Government Services
Healthcare • Tenant Representation • Cold Storage • Investment Services

3Q2021

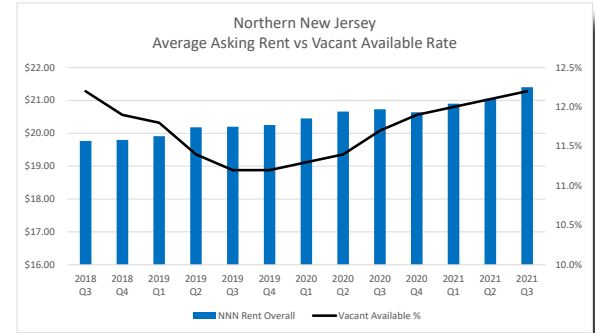
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COMMERCIAL REAL ESTATE SERVICES, WORLDWIDE

Northern NJ



Bergen County

- ★ 425 Medical Buildings
- ★ 6,530,272 SF RBA
- ★ \$25.40 PSF Base Rent



TOP SALES & LEASES

SALES

550,000 SF | \$155,000,000
 435, 465 & 475 South Street
 Morristown
 Buyer: Healthpeak Properties
 Seller: Harrison Street RE Cap

26,572 SF | \$3,200,000
 2446 Church Road, Toms River, NJ
 Buyer: Capital Management Group
 Seller: Romar Investors

LEASES

10,034 SF | 1200 Route 22 E, Bridgewater, NJ

6,585 SF | 123 Highland Ave, Glen Ridge, NJ

5,545 SF | 615 Franklin Turnpike, Ridgewood, NJ*

**NAI Hanson Transactions*



Team Lizzack-Horning
 Helps Bring Dental Practice
 to Mahwah, N.J

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435, 465 & 475 South Street we purchased, along with a 48.65 acre adjacent parcel by Healthpeak Properties (465 South Street shown below)

MEIDICAL

STATE of the UNION

By: *Darren Lizzack, MSRE and Randy Horning, MSRE*

For several years, the healthcare industry has seen a trend where employers and payers have leveraged care advocacy programs, lower copays/coinsurance, and benefit/network design to encourage consumers to seek lower-cost sites of care.

A recent PwC Health Research Institute (HRI) report, millions of increasingly cost-conscious consumers have shopped around for care. The COVID-19 pandemic likely accelerated growing acceptance of other ways to seek healthcare, and HRI expects those shifts in consumer behavior will continue—and we'll see reduced healthcare spending in 2022.

- Consumers accepted—and actively sought—care outside of doctors' offices. Even house calls, via telemedicine, have grown considerably.
- According to a spring [2021 PwC HRI clinician survey](#), 77% of clinicians say new, nontraditional care venues—concierge medicine services, on-demand telehealth, retail clinics—continue to maintain or improve patient health outcomes.
- Emergency departments have become the last resort rather than the go-to solution; experts hypothesize that some emergency department visits (especially low acuity ones) will not return to pre-pandemic levels.
- The sector will see [increased real estate demand from the segmentation of acute care and wellness locations](#)—an evolution driven by a combination of demographics, rising hospital volumes and complexity, and an increased focus on wellness, preventive care, and preexisting conditions.

Resiliency in Healthcare CRE Investments

Having survived—and thrived since—the Great Recession, the healthcare real estate sector continues to offer a compelling opportunity for investors. It offered increasing and steady demand, occupancy, and rent growth even in the midst of the pandemic.

Nationally, Colliers data indicated vacancy rates climbing to 8.9% in 2020. However, the vacancy for traditional office space was 13.6%. According to Marcus & Millichap, rent growth rose 9% from last year in the medical office sector to \$25.22 psf in 2Q 2021.



One global real estate company noted a rising interest in off-campus, suburban medical locations. This preference could be driven by the increase in work-from-home and hybrid work situations. Also noted is the perception that smaller centers carry a lower risk of infection than larger medical facilities and hospitals.



- continued

Should investors continue seeking opportunities within the healthcare sector? Absolutely. This sector's known for:

- **Consistent income streams.** Average medical office net rents posted an average 1.5% YOY gain—from \$18.28 ft in 2012 to \$21.51 psf in Q1 2020.
- **High-quality (and long-tenured) tenants.** More than 90% of medical office space tenants pay their rent—a much higher percentage than multifamily tenants. The latest RealtyTrac Rental Property Risk Report showed [landlords in 48% of all U.S. counties are at an above-average risk of defaulting.](#)
- **Long-term leases.** Stable leases have shown an average retention rate above 80% for the past 12 years.
- **Stable occupancies.** According to one CRE services firm's data, occupancy rates between 2008 and Q1 2020 remained around 92% (as opposed to office occupancies fluctuating between 81% and 86% during the same 12-year span).
- **Immunity to speculative development gambles,** since healthcare property developers and lenders typically require a minimum of 50% pre-leasing prior to executing new projects.



Poised for Continued Growth

As the demand for [life science facilities](#), medical offices, and [senior housing](#) increases, the healthcare sector will continue growing. Q1 and Q2 2020 ushered in over \$14 billion in venture capital for U.S. life sciences firms.

Senior housing, which includes a range of properties from assisted living and independent living to memory care and skilled nursing, felt pinched from the pandemic. But while 2020 saw occupancies fall 6.8% from Q1 to Q4, the sector has since seen more than \$2 billion in sales in Q4 2020. According to the National Council of Real Estate Investment Fiduciaries, senior housing returns have consistently outperformed other real estate types since 2011.

As healthcare facilities continue their segmentation and telehealth become a more established and accepted method of healthcare delivery, the movement away from traditional hospitals and the growth of specialized and outpatient facilities will drive opportunities and demand. Telehealth won't become competitive, but rather complementary. Social distancing will drive spatial and structural improvements in medical offices.

Medical real estate has shown resiliency and adaptability throughout the pandemic. As a durable asset class that's shown its ability to evolve with the times, it remains stable, and experts anticipate it will continue to grow and thrive in 2022 and beyond.

3Q2021

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YTD TRANSACTIONS OF TEAM LIZZACK-HORNING

720 E. Palisade Ave



ADDRESS	CITY, STATE	SIZE (sf)	SALE/LEASE
500 N. Franklin Turnpike, Suite 318	Ramsey, NJ	7,112	Lease
65 Harristown Road	Glen Rock, NJ	5,490	Lease
23-00 Route 208	Fair Lawn, NJ	3,741	Lease
208 Harristown Road	Glen Rock, NJ	3,221	Lease
526 E. Broad Street	Westfield, NJ	2,800	Sale
1777 Hamburg Turnpike	Wayne, NJ	2,608	Lease
17-15 Maple Avenue	Fair Lawn, NJ	2,500	Lease
59-61 West Pleasant Ave	Maywood, NJ	2,437	Lease
605 Broad Avenue, Suite 201	Ridgefield, NJ	2,393	Sale
1124 E Ridgewood Ave	Ridgewood, NJ	1,230	Sale
400 Franklin Tpke	Mahwah, NJ	1,212	Sale
720 E. Palisade Ave, Ste 101	Englewood Cliffs, NJ	1,100	Lease

FEATURED MEDICAL PROPERTIES OF TEAM LIZZACK-HORNING



1135 Broad Street
Clifton, NJ
7,796 sf for lease



43 Meadowlands Pkwy.
Secaucus, NJ
113,145 sf for lease



81 E Route 4
Paramus, NJ
10,000 sf for sale or lease



364 Lafayette Avenue
Hawthorne, NJ
3,851 sf for sale or lease



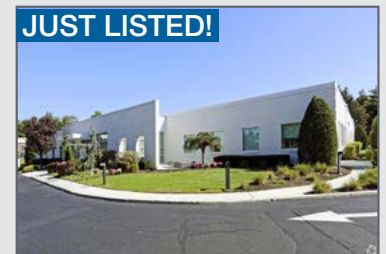
34-36 Progress Street
Edison, NJ
2,000 sf for sale



265 Ackerman Ave
Ridgewood, NJ,
1,454 sf for lease



1124 E. Ridgewood Avenue
Ridgewood, NJ
1,817 sf for sale or lease



305 W. Grand Avenue
Montvale, NJ
28,000 sf for lease