

# MARKETBEAT MADISON

Office Q1 2023

YoY Chg 12-Mo. Forecast

**9.7%**

Vacancy Rate



**128K**

YTD Net Absorption, SF



**\$22.30**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

**418.4K**

Madison  
Employment



**2.3%**

Madison  
Unemployment Rate



**3.5%**

U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics  
Q1 2023 data is based on the latest available data.

## ECONOMY

As the State Capital of Wisconsin and the home of the University of Wisconsin-Madison, government and education-related jobs have historically comprised the base of the local economy. The City of Madison is in Dane County, which has the fastest growing county population in Wisconsin, leading to historically high economic growth in the region. This growth has been tied to an array of industries such as bio-technology, information and health technology, agribusiness/food, and precision manufacturing. Metro Madison's unemployment rate increased 20 basis points (bps) year-over-year (YOY) to 2.3%, and overall employment increased 2.2% YOY.

## MARKET OVERVIEW

The Metro Madison office market consists of approximately 16.8 million square feet (msf) of inventory spread across seven (7) submarkets throughout Dane County. The market's vacancy rate declined for the second consecutive quarter, decreasing 30 bps quarter-over-quarter (QOQ) and 70 bps YOY. The market experienced substantial positive absorption of 125,877 square feet (sf) driven by the delivery of The Offices at Madison Yards (4703 Madison Yards Way) with pre-leased space to two tenants, the State of WI Investment Board (100,000 sf) and CUNA Mutual Group (22,571 sf).

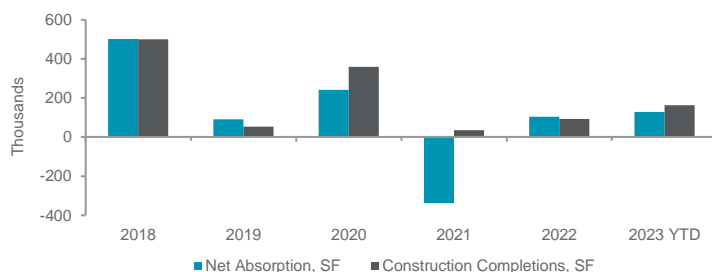
In Q1, there were 28 lease transactions totaling 148,336 sf of leased space. Just under 54% of total leased space was in the Madison Isthmus / CBD submarket, led by law firm DeWitt LLP leasing 37,614 sf of sublease space at 25 W Main St, Madison. There continues to be leasing interest on and nearby the Capital Square in Downtown Madison due to the quality space options available, with 51% of new overall market leasing activity in Q1 occurring in the Madison Isthmus / Central Business District (CBD) submarket.

Asking rental rates remain the highest in the CBD at \$26.24 gross per square foot (psf), with the overall market asking rate at \$22.30 gross psf. Asking rental rates have grown 11.8% YOY and have increased for the third consecutive quarter as quality, Class A office space remains in demand.

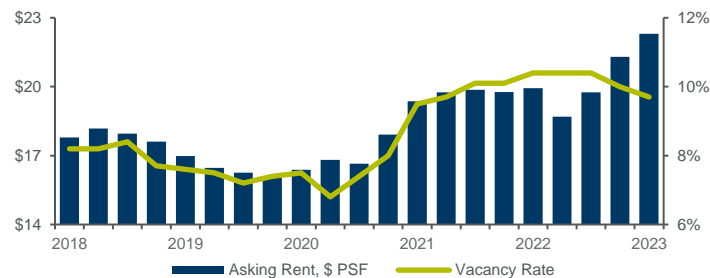
## OUTLOOK

The Madison office market continues to remain stable compared to the extreme turbulence happening throughout other U.S. office markets. Tenants continue to seek out higher quality space, with 109,638 sf of Class A net absorption in Q1 2023. Concerns about increased vacancy from new construction deliveries have largely faded, as strong overall pre-leasing, along with The Offices at Madison Yards being delivered 86% occupied, eased concerns. The market will continue to likely be dominated by local firms adjusting their space needs, but as the region continues its historic growth, new firms entering the market along with local firms growing could greatly strengthen the market and make Madison a destination for new office development and investment.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



**MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	OVERALL AVAIL (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Madison Isthmus / CBD	3,720,341	513,232	326,139	8.8%	2,110	2,110	79,812	0	\$26.24	\$27.71
<b>CBD TOTALS</b>	<b>3,720,341</b>	<b>513,232</b>	<b>326,139</b>	<b>8.8%</b>	<b>2,110</b>	<b>2,110</b>	<b>79,812</b>	<b>0</b>	<b>\$26.24</b>	<b>\$27.71</b>
Near West Madison	3,328,875	324,646	141,301	4.2%	133,251	133,251	9,696	147,000	\$19.04	\$20.45
Northeast	2,952,261	794,250	561,595	19.0%	22,965	22,965	15,037	0	\$22.05	\$22.47
Northwest / Middleton	4,117,130	986,706	405,546	9.9%	-37,617	-37,617	30,363	0	\$24.62	\$25.23
South Central	1,369,157	347,194	94,241	6.9%	8,568	8,568	13,428	76,000	\$20.15	\$20.50
Southeast	555,093	130,422	51,659	9.3%	-2,140	-2,140	0	0	\$16.20	N/A
Southwest	739,114	134,292	49,901	6.8%	850	850	0	0	\$23.68	\$24.70
<b>NON-CBD TOTALS</b>	<b>13,061,630</b>	<b>2,717,510</b>	<b>1,304,243</b>	<b>10.0%</b>	<b>125,877</b>	<b>125,877</b>	<b>68,524</b>	<b>223,000</b>	<b>\$21.45</b>	<b>\$23.36</b>
<b>MADISON TOTALS</b>	<b>16,781,971</b>	<b>3,230,742</b>	<b>1,630,382</b>	<b>9.7%</b>	<b>127,987</b>	<b>127,987</b>	<b>148,336</b>	<b>223,000</b>	<b>\$22.30</b>	<b>\$24.44</b>

BUILDING CLASS	INVENTORY (SF)	AVAILABLE SPACE (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT *
Class A	6,573,782	1,652,188	668,768	10.2%	109,638	109,638	98,048	223,000	\$24.44
Class B	9,429,149	1,285,901	673,690	7.1%	18,349	18,349	50,288	0	\$20.54
Class C	779,040	292,653	287,924	37.0%	0	0	0	0	\$21.86

\*Rental rates reflect full service asking

**KEY LEASE TRANSACTIONS Q1 2023**

PROPERTY	SUBMARKET	TENANT	SF	TYPE
25 W Main Street, Madison	Madison Isthmus / CBD	DeWitt LLP	37,614	New Sublease
33 E Main Street, Madison	Madison Isthmus / CBD	Unnamed	16,156	New Direct
4600 American Parkway, Madison	Northeast	Unnamed	10,311	New Direct
22 E Mifflin Street, Madison	Madison Isthmus / CBD	Symphony Corp	8,037	Renew
2424 Rimrock Road, Madison	South Central	Unnamed	7,651	New Direct

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**KEY SALES TRANSACTIONS Q1 2023**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
N/A				

**KEY CONSTRUCTION COMPLETIONS YTD 2023**

PROPERTY	SUBMARKET	MAJOR TENANT(S)	SF	OWNER / DEVELOPER
4703 Madison Yards Way, Madison	Near West Madison	State of WI Investment Board, CUNA Mutual Group	162,800	Summit Smith Development

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