

MARKETBEAT MADISON

Office Q3 2022

YoY Chg 12-Mo. Forecast

9.0%

Vacancy Rate



152K

YTD Net Absorption, SF



\$20.26

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

384.9k

Madison Employment



2.5%

Madison Unemployment Rate



3.5%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2022 Q3 data are based on latest available data

ECONOMY

As the State Capital of Wisconsin and the home of the University of Wisconsin-Madison, public administration and education-related jobs have historically comprised the base of the local economy. However, recent economic 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 30 basis points (bps) quarter-over-quarter to 2.5% in the third quarter of 2022, and has decreased 30 bps year-over-year (YOY) as the state's economy continues to recover from the pandemic. Locally, Metro Madison's unemployment rate is 60 basis points lower than the state, at 3.1%, and 100 bps below the national average.

MARKET OVERVIEW

The Metro Madison office market consists of approximately 17.7 million square feet (msf) of inventory spread across nine (9) submarkets throughout Dane County. The market continues to recover from the pandemic with positive absorption of 46,131 square feet (sf) in the third quarter of 2022, and with year to date (YTD) net absorption currently at 152,296 sf. Of the nine submarkets, five submarkets experienced positive absorption in Q3. The Northeast Madison submarket experiencing the largest positive absorption led by DMB Community Bank occupying 55,273 sf of the 132,000 sf building they purchased in The American Center business park for their new headquarters.

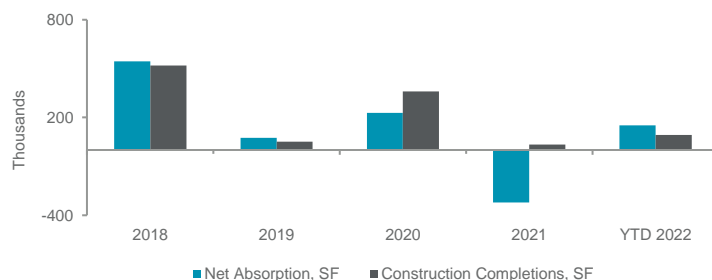
In Q3, there were 31 lease transactions totaling 115,765 sf leased. Leasing activity YTD is at 552,794 sf, a 26.5% increase YOY from 2021, showing signs of further market recovery from the pandemic. Of those transactions, all were new leases and 93.2% of leased space was located outside of the Central Campus (CBD) submarket. Leasing activity continues to be the strongest in the Northwest Madison submarket, with multiple tenants signing new leases over 10,000 sf in Q3 (Unnamed – 21,080 sf, Quincy Biosciences – 15,572 sf).

Asking rental rates remain the highest in the Central Business District at \$22.20 per square foot (psf), with the overall market asking rate at \$20.26 psf.

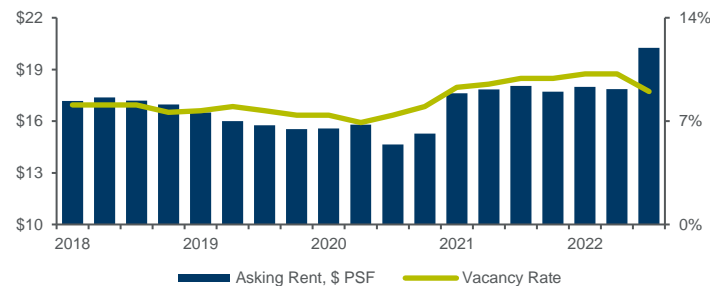
OUTLOOK

The worst may have past for the Madison office market, as positive net absorption trends continue throughout the market, specifically in the Central Campus submarket which took a big hit from the pandemic. Tenants continue to seek out higher quality space, with 132,464 sf of net absorption in Class A space YTD. New office construction is expected to remain low as vacancy remains high and economic uncertainty continues.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	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 (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Campus	4,372,803	665,348	398,015	9.1%	6,537	63,065	70,371	76,000	\$22.20	\$20.68
CBD TOTALS	4,372,803	665,348	398,015	9.1%	6,537	63,065	70,371	76,000	\$22.20	\$20.68
Near West Madison	2,346,484	86,198	60,407	2.6%	-2,684	-2,476	55,607	162,800	\$18.34	N/A
Northeast Madison	2,849,529	829,586	545,542	19.1%	60,750	66,543	48,216	0	\$19.50	\$20.64
Northwest Madison	3,789,715	491,956	262,806	6.9%	10,809	32,988	233,104	0	\$21.02	\$25.07
South Central Madison	1,428,456	258,191	108,327	7.6%	-11,270	-10,477	43,274	0	\$21.21	\$24.45
Southeast Madison	1,047,990	251,977	46,362	4.4%	92	24,781	36,289	0	\$19.76	N/A
Southwest Madison	1,232,722	286,988	158,031	12.8%	-20,301	-24,326	58,765	0	\$17.70	\$16.42
Outlying Dane East	277,061	64,130	6,097	2.2%	0	0	2,194	0	\$17.16	N/A
Outlying Dane West	395,470	13,968	13,968	3.5%	2,198	2,198	4,974	0	\$15.50	N/A
NON-CBD TOTALS	13,367,427	2,282,994	1,201,540	9.0%	39,594	89,231	482,423	162,800	\$19.59	\$21.83
MADISON TOTALS	17,740,230	2,948,342	1,599,555	9.0%	46,131	152,296	552,794	238,800	\$20.26	\$21.49

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	6,474,582	1,326,466	641,019	9.9%	48,937	132,464	273,271	238,800	\$21.49
Class B	10,406,400	1,324,708	667,316	6.4%	2,470	23,436	273,494	0	\$19.15
Class C	859,248	297,168	291,220	33.9%	-5,276	-3,064	6,029	0	\$20.40

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1241 John Q Hammons Drive, Madison	Northwest Madison	Unnamed	21,080	New
610 North Whitney Way, Madison	Near West Madison	Unnamed	17,000	New
8401 Greenway Boulevard, Middleton	Northwest Madison	Quincy Biosciences	15,572	New
26 Schroeder Court, Madison	Southwest Madison	O'Ryan Family Health	9,185	New
610 North Whitney Way, Madison	Near West Madison	University of Wisconsin School of Medicine	7,048	New

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KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
10 Terrace Court, Madison	Northeast Madison	The Gialamas Company / DMB Community Bank	132,000	\$11.9M / \$90
30 West Mifflin Street, Madison	Central Campus	Executive Management Inc. / T. Wall Enterprises	81,510	\$1.0M / \$13
6911 Mangrove Lane, Monona	Southeast Madison	Widen Enterprises / Miros Enterprises LLC	31,000	\$4.9M / \$158

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KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
908 East Main Street, Madison	Central Campus	Wisconsin Housing & Economic Development Authority (WHEDA)	92,000	WHEDA / Curt Brink

NOTE: Tracked set was adjusted from previous reports to only include non-owner-occupied properties.

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