

MARKETBEAT MADISON

Industrial Q1 2023

	YoY Chg	12-Mo. Forecast
2.0% Vacancy Rate	▲	▬
1.1M YTD Net Absorption, SF	▲	▼
\$6.32 Asking Rent, PSF	▲	▲

(Overall, Net Asking Rent)

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
2023Q1 data are based on 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 is the third lowest among U.S. markets at 2.3%, increasing just 20 basis-points (bps) year-over-year (YOY). Overall employment in the market continues to grow, rising 2.2% YOY.

MARKET OVERVIEW

The Metro Madison industrial market consists of nearly 85 million square feet (msf) of inventory spread across Dane and Rock Counties. During the first quarter of 2023, the market yielded more than 1.1 msf of net absorption, fueled by new occupied construction deliveries and historically high tenant demand. Construction deliveries totaled 1.3 msf sf in Q1, of which 857,222 sf was speculative. The largest pre-leased speculative space delivered in Q1 was 302,047 sf leased by Blain's Farm & Fleet at 401 W Venture Drive in Janesville.

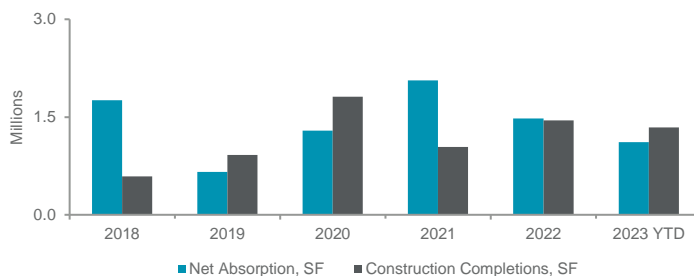
Leasing activity in Q1 totaled 1.2 msf across 29 transactions, with 1.1 msf of new leasing. The largest signed lease of the quarter, by square footage, was a 262,521 sf renewal & expansion by Placon at 505 Stokely Drive in DeForest.

The market vacancy rate increased 50 bps QOQ to 2.0% but remains at historically low levels due to strong tenant demand. The market reported sub-3% vacancy yet again, a trend dating back to the start of 2021. With strong market fundamentals, construction activity continues to remain strong, with just under 1.8 msf currently under construction, of which just under 1.4 msf is speculative. Nearly 1.1 msf of speculative space under construction is expected to deliver by the end of 2023, with 65% pre-leased.

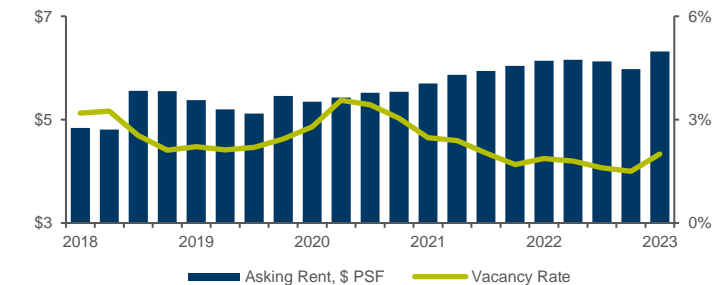
OUTLOOK

Metro Madison's existing companies growing and expanding, coupled with new tenants entering the market, have created a strong demand for new, higher quality space to be delivered to the market. With land for development hard to find near Madison, expect developers to stretch geography even further to deliver new product to the market. Lack of inventory has forced Class A speculative tenants to pre-lease space before buildings break ground, as the only Class A space they can find available in the market tends to be the next building(s) to be delivered. This strong demand has pushed projects forward, despite economic uncertainty and rising interest rates. Rental rates continue to increase throughout the marketplace in order to keep pace with rising construction costs and investor return thresholds.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)*	OVERALL WEIGHTED AVG NET RENT (OS)*	OVERALL WEIGHTED AVG NET RENT (W/D)*
Dane County West	23,595,226	301,332	1.3%	7,666	7,666	164,000	0	N/A	\$7.34	\$6.05
Dane County East	32,553,216	661,582	2.0%	223,512	223,512	969,140	127,967	\$6.99	\$7.02	\$7.15
DANE COUNTY TOTALS	56,148,442	962,914	1.7%	231,178	231,178	1,133,140	127,967	\$6.99	\$7.21	\$6.80
Rock County	28,105,017	746,874	2.7%	884,373	884,373	663,000	1,215,047	\$4.40	\$3.95	\$5.27
MADISON TOTALS	84,253,459	1,709,788	2.0%	1,115,551	1,115,551	1,796,140	1,343,014	\$6.01	\$5.80	\$6.75

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

TYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Manufacturing	27,300,401	543,256	2.0%	569,500	569,500	935,000	390,000	\$6.01
Office Service / Flex	10,328,785	146,563	1.4%	64,564	64,564	0	27,150	\$5.80
Warehouse / Distribution	46,624,273	1,019,969	2.2%	481,487	481,487	861,140	925,864	\$6.75

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
505 Stokely Drive, DeForest	Dane County East	Placon	262,521	Renewal & Expansion
2101 Kennedy Drive, Janesville	Rock County	IPM Foods	112,000	New Direct
200 W Venture Drive, Janesville	Rock County	Shine Technologies	76,755	New Direct
2101 Kennedy Drive, Janesville	Rock County	Prent	60,000	New Direct
2041 S Stoughton Road, Madison	Dane County East	The Works Madison, LLC	46,875	New Direct

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE/\$ PSF
5487 N Blue Bill Park Drive, Madison	Dane County West	Research Products Corporation / Ruedebusch Development & Construction	270,000	\$14.2M / \$53

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT(S)	SF	OWNER/DEVELOPER
1901 Gateway Boulevard, Beloit	Rock County	-	500,000	Phoenix Investors
401 W Venture Drive, Janesville	Rock County	Blain's Farm & Fleet	302,047	Zilber Property Group
2100 Putman Parkway, Milton	Rock County	Clasen Quality Chocolate	390,000	Clasen Quality Chocolate

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