

MARKETBEAT MADISON



Industrial Q3 2022

	YoY Chg	12-Mo. Forecast
2.9% Vacancy Rate	▲	▼
951k YTD Net Absorption, SF	▲	▲
\$6.13 Asking Rent, PSF <small>(Overall, Net Asking Rent)</small>	▲	▲

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: Bureau of Labor Statistics
Q3 2022 data is based on the 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's, at 3.1%, and 100 bps below the national average.

MARKET OVERVIEW

The Metro Madison industrial market consists of nearly 84 million square feet (msf) of inventory spread across Dane and Rock Counties. During the third quarter of 2022, the market experienced 699,846 square feet (sf) positive absorption, bringing year-to-date (YTD) totals to 950,611 sf. Construction deliveries totaling 512,800 sf in Q3, along with a 270,000 sf new lease signed by Research Products Corporation in the Dane County West submarket drove the large positive absorption in Q3.

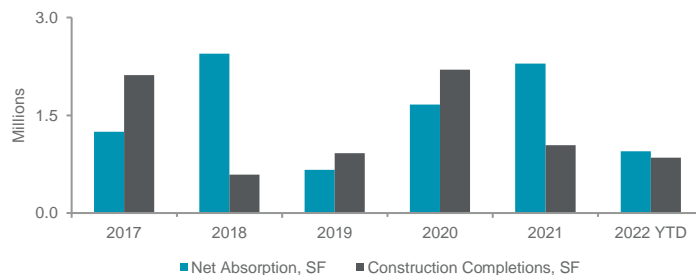
Q3 2022 leasing activity totaled over 532,081 sf across 16 transactions, with 98% of leased SF located in Dane County. Within Dane County, 59% of leased SF occurred in the Dane County West submarket.

Market vacancy rates remain low, even with overall vacancy increasing 20 bps YOY to 2.9%, while asking rents continue to remain historically high at \$6.13 psf currently. With strong market fundamentals, construction activity also remains strong, with nearly 3.2 msf currently under construction, of which nearly 2.5 msf is speculative. Just over 1.4 msf of space currently under construction is expected to deliver by the end of 2022.

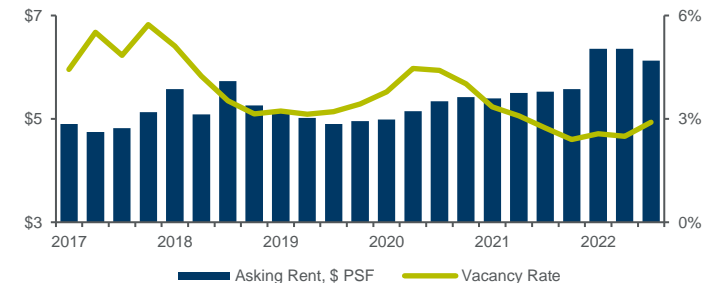
OUTLOOK

The Madison Industrial Market remains strong even as a record number of new construction projects are being delivered to the market. With land for development hard to find in Dane County, expect developers to stretch geography even further to deliver new product to the market. Although economic uncertainty and rising interest rates are creating hesitation for developers, the strong pre-leasing activity continues to push additional projects forward. Rents will continue to climb in the marketplace in order to keep pace with construction costs and investor return thresholds.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MADISON



Industrial Q3 2022

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	23,613,907	787,713	3.3%	475,921	3,709	82,500	282,000	\$6.00	\$8.32	\$6.04
Dane County East	33,450,067	1,482,840	4.4%	237,202	666,943	1,345,767	409,220	\$5.03	\$7.55	\$6.91
DANE COUNTY TOTALS	57,063,974	2,270,553	4.0%	713,123	670,652	1,428,267	691,220	\$5.65	\$7.83	\$6.71
Rock County	26,829,030	133,277	0.5%	-13,277	279,959	1,765,047	159,750	\$4.45	\$5.09	N/A
MADISON TOTALS	83,893,004	2,403,830	2.9%	699,846	950,611	3,193,314	850,970	\$4.84	\$6.80	\$6.71

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	28,735,148	1,323,051	4.6%	240,000	268,580	972,500	167,750	\$4.84
Office Service / Flex	10,085,556	470,804	4.7%	10,543	-70,392	0	86,400	\$6.80
Warehouse / Distribution	45,072,300	609,975	1.4%	449,303	752,423	2,220,814	596,820	\$6.71

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

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

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5487 N Blue Bill Park Dr, Madison	Dane County West	Research Products Corporation	270,000	New
2012 Commercial Ave, Madison	Dane County East	Sub-Zero Group, Inc.	91,530	Renew
2402 Advance Dr, Madison	Dane County East	SRS Distribution	79,900	New
813 Burton Blvd, DeForest	Dane County East	Evco Plastics	25,000	New

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE/\$ PSF
101 N Grand Ave, Deerfield	Dane County East	Realty Income / MPI Engineered Technologies	120,550	\$7.2M / \$59
818 & 902 Watson Ave, Madison	Dane County West	Common Links Construction / Coated Metals Group	39,380	\$2.6M / \$66
6391 Lake Rd, Windsor	Dane County East	Muza Sheet Metal Co. / Tetra Pak Processing Equipment, Inc.	38,520	\$2.6M / \$68

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT(S)	SF	OWNER/DEVELOPER
4800 Voges Rd – Building 1, Madison	Dane County East	Ferguson, The Douglas Stewart Company	202,800	Ruedebusch Development & Construction
1130 Uniek Dr, Waunakee	Dane County West	Octopi Brewing	200,000	SARA Investment Real Estate
3302 Dairy Dr, Madison	Dane County East	Red Bull Distribution, Madison Liquidators, GenePro Inc.	86,400	Wisconsin Development Partners

NOTE: Tracked set was adjusted from previous reports to only reflect Dane & Rock County.

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