

MARKETBEAT MADISON

CUSHMAN & WAKEFIELD | BOERKE

Office Q3 2023

YoY Chg 12-Mo. Forecast

10.6%

Vacancy Rate



11K

YTD Net Absorption, SF



\$22.69

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

421.1K

Madison
Employment



2.2%

Madison
Unemployment Rate



3.7%

U.S.
Unemployment Rate



Source: BLS, Moody's Analytics
Q3 2023 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. Situated in Dane County, which boasts the fastest-growing county population in Wisconsin, the region has witnessed significant economic growth, driven by a diverse range of industries, including biotechnology, information and health technology, agribusiness/food, and precision manufacturing. Metro Madison's unemployment rate is the fifth lowest among tracked U.S. markets at 2.2%, decreasing 20 basis-points (bps) year-over-year (YOY). Overall employment in the market continues to grow, rising 1.5% YOY.

MARKET OVERVIEW

The Metro Madison office market's overall vacancy rate increased 30 bps quarter-over-quarter (QOQ) to 10.6%, continuing a trend of stabilized market vacancy between 9-11% dating back to the start of 2021. The market reported its second consecutive quarter of negative net absorption at -42,745 square feet (sf) in Q3, bringing year-to-date (YTD) totals to 10,857 sf. The Northwest / Middleton submarket had a strong quarter with 67,515 sf of positive absorption led by 96,123 sf of new leasing activity in Q3, including a 15,120 sf lease by Northwestern Mutual at 1600 Aspen Commons in Middleton.

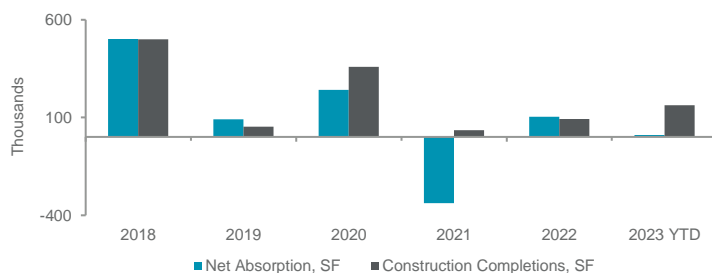
There were 47 lease transactions totaling 295,842 sf of leased space in Q3, with 90% of total leased space occurring in non-CBD submarkets. This quarter saw multiple large renewals, including 25,587 sf renewed by UBS Financial Services at 8020 Excelsior Drive in Madison, and 23,166 sf renewed by Oxford Global Resources at 525 Junction Road in Madison. Lease renewals accounted for 46% of total square feet leased in Q3 at 135,240 sf.

The overall market asking rate slightly declined QOQ to \$22.69 gross per square foot (psf). Asking rental rates have grown 14.9% year-over-year (YOY). This growth is driven by inflationary effects on NNN expenses, along with high demand for Class A space which has YTD net absorption of 162,982 sf, compared to -154,700 sf for Class B properties.

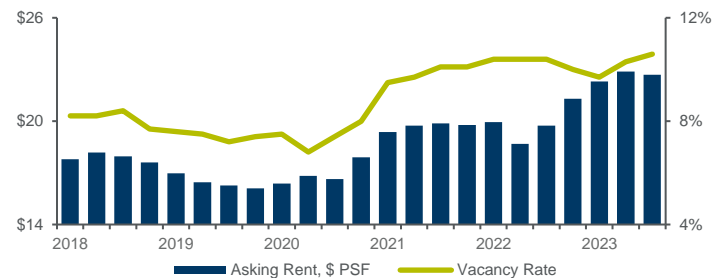
OUTLOOK

Madison's office market continues to remain active and stable compared to the extreme turbulence in other U.S. office markets. However, the market does face similar challenges as other markets specially related to hybrid work. With a tight local labor market, many firms are hesitant to require workers to fully return to in-person work leading to continuing downsizing of space. Those firms that are trying to attract talent and increase employee time in the office are seeking out high quality, Class A space. Expect continued negative absorption in Class B properties as tenants look to either downsize their current Class B space, or create a quality environment for employees to return to the office in a Class A property. With costs of capital continuing to rise, also expect a continued rise in Class A rental rates without new speculative construction being delivered to the market.

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	3,609,953	509,629	331,980	9.2%	20,702	-9,006	126,710	0	\$27.60	\$29.33
CBD TOTALS	3,609,953	509,629	331,980	9.2%	20,702	-9,006	126,710	0	\$27.60	\$29.33
Near West Madison	3,340,215	366,814	157,390	4.7%	-21,033	117,162	66,075	147,000	\$19.24	\$22.28
Northeast	2,852,624	804,405	552,056	19.4%	-38,483	-9,230	65,580	0	\$21.90	\$23.75
Northwest / Middleton	4,104,312	1,052,329	473,668	11.5%	67,515	-54,718	209,531	0	\$24.12	\$25.23
South Central	1,342,578	219,444	77,514	5.8%	2,745	25,295	71,859	76,000	\$19.61	\$20.50
Southeast	522,202	113,266	76,645	14.7%	-24,660	-27,126	8,375	0	\$16.40	N/A
Southwest	739,178	127,278	82,271	11.1%	-49,531	-31,520	21,013	0	\$23.83	\$24.70
NON-CBD TOTALS	12,901,109	2,683,536	1,419,544	11.0%	-63,447	19,863	442,433	223,000	\$21.27	\$24.01
MADISON TOTALS	16,511,062	3,193,165	1,751,524	10.6%	-42,745	10,857	569,143	223,000	\$22.69	\$25.69

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	6,565,737	1,793,412	672,398	10.2%	85,860	162,982	317,593	223,000	\$25.69
Class B	9,199,470	1,105,767	793,777	8.6%	-128,605	-154,700	248,975	0	\$20.43
Class C	745,855	293,986	285,349	38.3%	0	2,575	2,575	0	\$21.97

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8020 Excelsior Dr, Madison	Northwest / Middleton	UBS Financial Services, Inc.	25,587	Renewal
525 Junction Rd, Madison	Northwest / Middleton	Oxford Global Resources	23,166	Renewal
1600 Aspen Commons, Middleton	Northwest / Middleton	Northwestern Mutual	15,120	New
1241 John Q Hammons Dr, Madison	Northwest / Middleton	Polco	8,377	New
901 Deming Way, Madison	Northwest / Middleton	Beacon Athletics	8,189	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
2009 W Beltline Hwy, Madison	South Central	DJC Properties, LLC / Voyos Capital Projects, LLC	10,172	\$1.3M / \$128

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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