

MARKETBEAT MADISON

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
3.0% Vacancy Rate	▲	▲
1.8M YTD Net Absorption, SF	▲	▬
\$6.14 Asking Rent, PSF	▬	▲

(Overall, Net Asking Rent)

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. Recent population and economic growth have been tied to an array of industries such as 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 industrial market continued to remain strong, reporting 600,140 square feet (sf) of positive net absorption in Q3 2023, bringing the year-to-date (YTD) total to over 1.8 million square feet (msf). Led by a record level of new construction deliveries and strong tenant demand, the market continued its historic growth despite persistent economic challenges.

The market vacancy rate increased 60 bps quarter-over-quarter (QOQ) to 3.0%, a full percentage point increase since Q1 2023 and the third consecutive quarter of rising vacancy due to record amounts of newly delivered inventory. Asking rental rates have continued to show signs of stabilizing, with the overall market rate at \$6.14 per square foot (psf), effectively flat YOY.

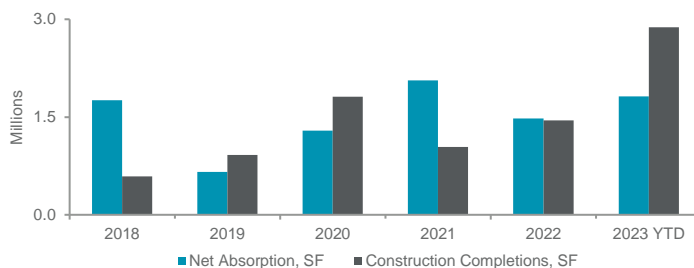
In Q3, new construction deliveries totaled 1.2 msf, with nearly all the space being speculative and 63% being leased at delivery. Notable deliveries included Zilber Property Group's 500,000 sf building at 200 Innovation Drive in Janesville, fully occupied by Serta Simmons Bedding. HSA Commercial Real Estate also delivered a 202,323 sf manufacturing facility at 6002 Femrite Drive in Madison, fully leased to innovative packaging and medical solutions company Tekni-Plex.

Leasing activity in Q3 was strong, totaling just over 1.0 msf across 20 transactions, led by Tekni-Plex leasing 202,323 sf at 6002 Femrite Drive in Madison and Power Solutions International leasing 105,071 sf in Beloit. Tenants continue to seek Class A space that only exists in eight buildings across the entire market, with 96% of available space being in buildings that delivered in 2023.

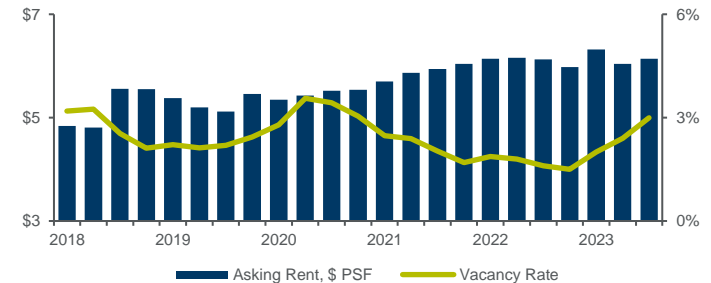
OUTLOOK

Activity in the Metro Madison industrial market remains high as demand for space in the growing region persists, however deal time has been extended as landlords, tenants, and lenders become more cautious about an economic slowdown. As a few new speculative construction projects have been delivered to the market, tenants are beginning to regain some leverage in negotiations despite lack of high quality, Class A space in the market. Smaller annual rental increase rates and more free rent for tenants are becoming more common. Deal times are extending as tenants are facing elevated rental rates due to historic construction pricing. Expect vacancy to continue rising in the immediate future as more inventory is delivered to the market, but space will be absorbed as leasing activity remains strong.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MADISON

Industrial Q3 2023

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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)*	OVERALL WEIGHTED AVG NET RENT (OS)*	OVERALL WEIGHTED AVG NET RENT (W/D)*
Dane County West	23,701,280	377,021	1.6%	-41,196	-68,023	362,800	0	\$5.00	\$7.25	\$5.60
Dane County East	33,289,696	1,066,588	3.2%	141,514	513,563	878,591	823,024	\$7.35	\$8.79	\$7.47
DANE COUNTY TOTALS	56,990,976	1,443,609	2.5%	100,318	445,540	1,241,391	823,024	\$6.18	\$8.08	\$7.21
Rock County	28,636,380	1,095,338	3.8%	499,822	1,372,329	323,000	2,051,467	\$5.06	\$3.95	\$4.07
MADISON TOTALS	85,627,356	2,538,947	3.0%	600,140	1,817,869	1,564,391	2,874,491	\$5.78	\$6.57	\$6.26

*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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Manufacturing	27,643,462	661,638	2.4%	441,968	1,066,118	735,000	955,000	\$5.78
Office Service / Flex	10,387,229	184,338	1.8%	-12,001	26,789	116,188	27,150	\$6.57
Warehouse / Distribution	47,596,665	1,692,971	3.6%	170,173	724,962	713,203	1,892,341	\$6.26

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
200 Innovation Drive, Janesville	Rock County	Serta Simmons Bedding	500,000	New
6002 Femrite Drive, Madison	Dane County East	Tekni-Plex	202,323	New
2401 Stateline Road, Beloit	Rock County	Power Solutions International, Inc.	105,071	New
3818-3858 John Wall Drive, Madison	Dane County East	Jeff's Fast Freight	15,600	New

KEY SALES TRANSACTIONS YTD 2023

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
8400 Fairway Place and 2235 Eagle Drive, Middleton	Dane County West	General Capital Group / SARA Investment Real Estate	524,358	\$43.5M / \$83

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT(S)	SF	OWNER / DEVELOPER
200 Innovation Drive, Janesville	Rock County	Serta Simmons Bedding	500,000	Zilber Property Group
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
400 Innovation Drive, Janesville	Rock County	-	286,420	Zilber Property Group
6002 Femrite Drive, Madison	Dane County East	Tekni-Plex	202,323	HSA Commercial Real Estate

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