

# MARKETBEAT MADISON

Office Q4 2023

YoY Chg 12-Mo. Forecast

**10.9%**  
Vacancy Rate



**106K**  
YTD Net Absorption, SF



**\$23.21**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

**424.4K**  
Madison  
Employment



**2.5%**  
Madison  
Unemployment Rate



**3.7%**  
U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics  
Q4 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 increased 20 basis-points (bps) year-over-year (YOY) to 2.5%, and overall employment in the region rose 1.9% YOY.

## MARKET OVERVIEW

The Metro Madison office market's overall vacancy rate increased 30 bps quarter-over-quarter (QOQ) to 10.9%, continuing a trend of stabilized market vacancy between 9-11% dating back to the start of 2021. After two consecutive quarters of negative net absorption, the market reported 95,462 square feet (sf) of positive absorption in Q4, bringing total 2023 year-end absorption to 106,319 sf. The Near West Madison submarket had the strongest quarter with 108,224 sf of positive absorption led by 98,000 sf of occupied space in Element Labs, a 147,000 sf property which delivered in Q4.

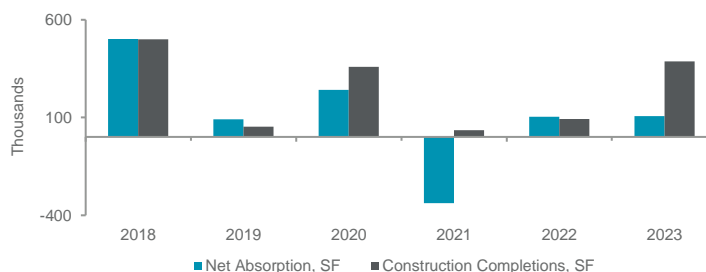
There were 37 lease transactions totaling 253,727 sf of leased space in Q4, with 95% of total leased space occurring in non-CBD submarkets. Class A properties continued to perform well, making up 66% of leased space. Total 2023 year-end absorption equaled 822,870 sf, with the best performing submarkets being on the western side of the market (Northwest / Middleton & Near West Madison), led by construction deliveries and large volumes of space leased throughout the year.

The overall market asking rate increased QOQ to \$23.21 gross per square foot (psf). Asking rental rates have grown 9.0% year-over-year (YOY). Rate growth continues to be driven by inflationary effects on NNN expenses, along with high demand for Class A space which experienced 2023 year-end net absorption of 294,122 sf, compared to -197,688 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. Leasing deals are taking longer to be completed as tenants with expiring leases are taking their time to decide their future office needs, sometimes waiting until the last moment to decide on renewing or to seek new space elsewhere. With leverage in negotiations due to a high vacancy market, tenants do not feel pressure to address their space needs quickly. With growing nationwide stress on office assets, especially as debt continues to expire, tenants seeking space have also been underwriting potential landlords to verify the property will be financially stable and not go through potential foreclosure. On the landlord side, despite high vacancy, asking rates will likely increase since there are no office properties currently under construction in the market, with Class A asking rates leading the overall increase as tenants continue to seek out quality office space for their employees.

## 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	3,610,359	500,352	316,887	8.8%	-25,467	-34,473	139,511	0	\$27.27	\$29.10
<b>CBD TOTALS</b>	<b>3,610,359</b>	<b>500,352</b>	<b>316,887</b>	<b>8.8%</b>	<b>-25,467</b>	<b>-34,473</b>	<b>139,511</b>	<b>0</b>	<b>\$27.27</b>	<b>\$29.10</b>
Near West Madison	3,586,017	343,218	196,166	5.5%	108,224	225,386	187,376	0	\$21.06	\$26.51
Northeast	2,849,557	817,312	566,126	19.9%	-14,070	-23,300	75,303	0	\$21.13	\$23.75
Northwest / Middleton	4,106,019	890,021	497,605	12.1%	-23,937	-78,655	240,051	0	\$24.97	\$25.86
South Central	1,418,132	199,309	79,516	5.6%	74,959	100,254	142,361	0	\$19.22	\$20.50
Southeast	522,202	117,216	80,931	15.5%	-4,286	-31,412	8,967	0	\$16.54	N/A
Southwest	730,790	136,646	102,232	14.0%	-19,961	-51,481	29,301	0	\$23.89	\$24.70
<b>NON-CBD TOTALS</b>	<b>13,212,717</b>	<b>2,503,722</b>	<b>1,522,576</b>	<b>11.5%</b>	<b>120,929</b>	<b>140,792</b>	<b>683,359</b>	<b>0</b>	<b>\$21.69</b>	<b>\$25.63</b>
<b>MADISON TOTALS</b>	<b>16,823,076</b>	<b>3,004,074</b>	<b>1,839,463</b>	<b>10.9%</b>	<b>95,462</b>	<b>106,319</b>	<b>822,870</b>	<b>0</b>	<b>\$23.21</b>	<b>\$26.72</b>

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	6,797,372	1,597,130	765,219	11.3%	131,140	294,122	486,170	0	\$26.72
Class B	9,537,687	1,374,306	1,050,243	11.0%	-42,988	-197,688	326,815	0	\$20.49
Class C	488,017	32,638	24,001	4.9%	7,310	9,885	9,885	0	\$21.07

\*Rental rates reflect full service asking

**KEY LEASE TRANSACTIONS Q4 2023**

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5409 Mineral Point Rd, Madison	Near West Madison	Invenra	49,000	New
5409 Mineral Point Rd, Madison	Near West Madison	University of Wisconsin - Madison	49,000	New
2342 S Park St, Madison	South Central	Wisconsin Economic Development Corp.	19,000	New
2501-2601 W Beltline Hwy, Madison	South Central	Wipfli	15,655	New
3113 W Beltline Hwy, Madison	South Central	Corneille Law Group	8,875	New

**KEY SALES TRANSACTIONS Q4 2023**

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
133 S Butler St, Madison	Madison Isthmus / CBD	Beck's Enterprises of Dane County, LLC / FCM Corp.	12,982	\$1.6M / \$126

**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
5409 Mineral Point Rd, Madison	Near West Madison	Invenra, University of Wisconsin - Madison	147,000	University Research Park
2342 S Park St, Madison	South Central	Wisconsin Economic Development Corp.	76,961	Urban League of Greater Madison

**DAN PALEC**

Director of Research  
 +1 414 436 3712 / [dpalec@boerke.com](mailto:dpalec@boerke.com)

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