

MARKETBEAT MADISON

Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
2.9% Vacancy Rate	▲	▼
2.5M YTD Net Absorption, SF	▲	▼
\$6.43 Asking Rent, PSF	▲	▲

(Overall, Net Asking Rent)

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. Recent population and economic growth have been tied to an array of industries such as life sciences, 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 industrial market remained strong in the fourth quarter, reporting 670,073 square feet (sf) of positive net absorption, and a low vacancy rate of 2.9%. Total 2023 net absorption was historically high, at just under 2.5 million square feet (msf), led by a record level of new construction deliveries with tenants in place.

The market vacancy rate decreased 10 bps quarter-over-quarter (QOQ) to 2.9%, breaking a stretch of three consecutive quarters of rising vacancy, yet has still risen 140 bps YOY. However, vacancy remains low despite over 3.5 msf of new construction delivered in 2023, due to 64% of that space being occupied by year-end, along with over 3.0 msf of total leasing activity throughout the year.

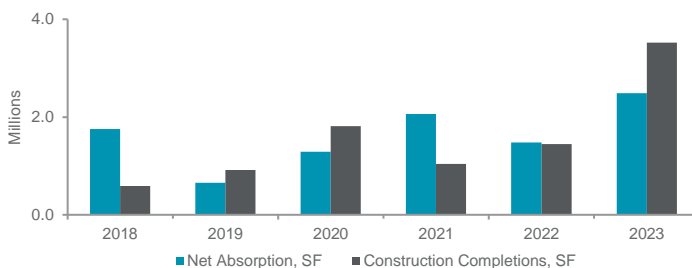
The market for high quality, Class A space remains extremely tight as existing market tenants seek to upgrade their space or grow, and new tenants to the market enter. Only seven Class A buildings in the market currently have space available with only four buildings offering space greater than 100,000 sf. All buildings containing space were delivered in 2023. The largest amount of Class A space available can be found at the largest delivery of Q4, a 272,483 sf building at 6002 Femrite Drive, Madison in the Dane County East submarket. This demand pressure at the top of the market continues to increase the overall market asking rent, up 4.9% QOQ and 7.1% YOY, to \$6.43 NNN per square foot (psf).

Leasing activity in Q4 totaled 692,323 sf across 35 transactions, led by Airsafe International leasing 128,250 sf at 2101 Kennedy Road, Janesville in the Rock County submarket. Vacancies in speculative construction from 2023 continued to lease up throughout Q4, including Big Joe Forklifts (118,176 sf) at 749 Little Potato Way in DeForest, and All Tile- Carpet Cushions & Supplies (26,440 sf) at 5525 Tradesmen Drive in Madison, both in the Dane County East submarket.

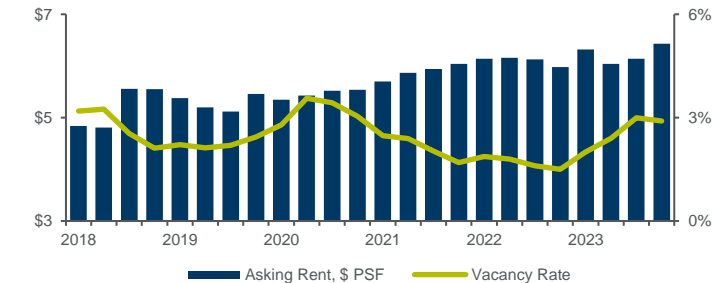
OUTLOOK

Metro Madison's industrial market is currently defined by its "lack of space", whether it be for tenants in the market to locate or developers to build. As the region's population and economy grow, demand for increased inventory remains high and requires additional space to be developed. As current economic turbulence makes financing more difficult for developers to attain, expect vacancy to remain historically low with tenants having very limited relocation options. Overall rental rates will continue to rise throughout the market as a result of persistent supply constraints.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MADISON

Industrial Q4 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 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	23,705,356	370,493	1.6%	6,528	-61,495	362,800	0	\$5.00	\$6.69	\$5.93
Dane County East	33,910,273	1,174,682	3.5%	438,009	951,572	369,188	1,358,127	\$6.15	\$8.46	\$7.45
DANE COUNTY TOTALS	57,615,629	1,545,175	2.7%	444,537	890,077	731,988	1,358,127	\$5.59	\$7.73	\$7.12
Rock County	28,749,380	982,802	3.4%	225,536	1,597,865	638,000	2,164,467	\$5.52	\$3.95	\$4.99
MADISON TOTALS	86,365,009	2,527,977	2.9%	670,073	2,487,942	1,369,988	3,522,594	\$5.57	\$6.49	\$7.01

*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	27,917,390	468,545	1.7%	464,093	1,530,211	814,000	1,226,000	\$5.57
Office Service / Flex	10,427,729	147,329	1.4%	59,509	86,298	119,388	49,650	\$6.49
Warehouse / Distribution	48,019,890	1,912,103	4.0%	146,471	871,433	436,600	2,246,944	\$7.01

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2101 Kennedy Road, Janesville	Rock County	Airsafe International	128,250	New
749 Little Potato Way, DeForest	Dane County East	Big Joe Forklifts	118,176	New
500 S Division Street, Waunakee	Dane County West	Wells Concrete Products	54,243	New
5525 Tradesmen Drive, Madison	Dane County East	All Tile - Carpet Cushions & Supplies	26,440	New

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
4705 Tradewinds Parkway, Madison	Dane County East	Metrozen / Marshall Park Investments	53,276	\$7.0M / \$131
201 Interpane Lane, Deerfield	Dane County East	Three Leaf Partners / Wisconsin Built	105,928	\$5.6M / \$53

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 – Bldg. 2	Dane County East	-	272,483	HSA Commercial Real Estate
6002 Femrite Drive, Madison – Bldg. 1	Dane County East	Tekni-Plex	202,323	HSA Commercial Real Estate

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