

# MARKETBEAT MADISON

Office Q1 2024

YoY Chg 12-Mo. Forecast

**10.6%**  
Vacancy Rate



**-132K**  
YTD Net Absorption, SF



**\$23.59**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2024

YoY Chg 12-Mo. Forecast

**424.6K**  
Madison  
Employment



**2.3%**  
Madison  
Unemployment Rate



**3.8%**  
U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics  
Q1 2024 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 30 basis points (bps) year-over-year (YOY) to 2.3%, and overall employment in the region rose 0.8% YOY.

## MARKET OVERVIEW

The Metro Madison office market's overall vacancy rate increased 90 bps YOY to 10.6% but continues a trend of stabilized market vacancy between 9-11% dating back to the start of 2021. In the first quarter of 2024, the market experienced -131,567 square feet (sf) of negative absorption. Despite relative stability in most submarkets, the Northwest / Middleton submarket experienced -133,374 sf of negative absorption in Q1, led by TDS Telecom vacating 77,388 sf at 8401 Greenway Blvd in Middleton.

There were 36 lease transactions totaling 120,294 sf of leased space in Q1, with 87% of total leased space occurring in non-Central Business District (CBD) submarkets. The first quarter of 2024 saw active deal volume in the smaller suite market, while leasing activity for larger floorplates has slowed. Despite demand for Class A properties, there are currently no projects under construction in the market as larger suite footprints have been difficult to lease up. Although overall Class A space in Madison's office market experienced -51,325 sf of absorption in Q1, Class A properties in the CBD experienced 9,723 sf of positive absorption as opposed to -61,048 in non-CBD submarkets, continuing a trend of tenant movement to Class A properties in the CBD.

The overall market asking rate increased 1.6% quarter-over-quarter (QOQ) to \$23.59 gross per square foot (psf). Asking rental rates have grown 5.8% YOY, driven by inflationary effects on triple net (NNN) expenses, along with continued demand for high quality, Class A space.

## OUTLOOK

Madison's office market mirrors regional trends, with a notable shift towards Class A properties driven by a "flight to quality" trend. However, Madison's stable vacancy rate has provided landlords with some negotiating leverage. With lack of new construction, many tenants prefer to stay in their current spaces as leases come due, leading to higher annual escalations and rising rents throughout the market. On the contrary, landlords are accepting deals with shorter lease times, attempting to keep as much space occupied as possible during this turbulent stretch for office properties, especially in Class B assets. While the market remains relatively stable, there is a growing risk of large corporate, single-tenant properties vacating. With deal activity remaining the most active under 10,000 sf, it would be challenging for the market to backfill, which could rapidly increase vacancy.

## 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	3,556,006	496,214	332,333	9.3%	-20,625	-20,625	15,719	0	\$27.27	\$29.31
<b>CBD TOTALS</b>	<b>3,556,006</b>	<b>496,214</b>	<b>332,333</b>	<b>9.3%</b>	<b>-20,625</b>	<b>-20,625</b>	<b>15,719</b>	<b>0</b>	<b>\$27.27</b>	<b>\$29.31</b>
Near West Madison	3,563,093	363,064	197,283	5.5%	-1,117	-1,117	17,478	0	\$20.97	\$26.51
Northeast	2,587,123	530,560	322,212	12.5%	8,595	8,595	41,177	0	\$20.83	\$22.17
Northwest / Middleton	4,129,627	1,309,777	630,146	15.3%	-133,374	-133,374	23,529	0	\$25.49	\$25.43
South Central	1,396,918	244,523	95,226	6.8%	-2,835	-2,835	0	0	\$19.93	\$22.45
Southeast	513,402	96,591	59,802	11.6%	20,654	20,654	18,444	0	\$15.90	N/A
Southwest	726,195	138,751	104,936	14.5%	-2,865	-2,865	3,947	0	\$24.21	\$24.70
<b>NON-CBD TOTALS</b>	<b>12,916,358</b>	<b>2,683,266</b>	<b>1,409,605</b>	<b>10.9%</b>	<b>-110,942</b>	<b>-110,942</b>	<b>104,575</b>	<b>0</b>	<b>\$22.56</b>	<b>\$25.04</b>
<b>MADISON TOTALS</b>	<b>16,472,364</b>	<b>3,179,480</b>	<b>1,741,938</b>	<b>10.6%</b>	<b>-131,567</b>	<b>-131,567</b>	<b>120,294</b>	<b>0</b>	<b>\$23.59</b>	<b>\$26.15</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	6,961,614	1,956,641	880,409	12.6%	-51,325	-51,325	58,656	0	\$26.15
Class B	9,072,837	1,184,167	822,857	9.1%	-63,892	-63,892	60,973	0	\$21.28
Class C	437,913	38,672	38,672	8.8%	-16,350	-16,350	665	0	\$16.62

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
313 Blettner Boulevard, Madison	Northeast	Gainwell Technologies	15,008	Renewal
4901 Eastpark Boulevard, Madison	Northeast	Weir Slurry Group	13,961	New
708 Heartland Trail, Madison	Northwest / Middleton	Regus	10,061	New
525 Junction Road, Madison	Northwest / Middleton	Home Instead	6,489	New
5525 Nobel Drive, Madison	Southwest	Ibidi	3,947	New

## KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
N/A				

## KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT(S)	SF	OWNER / DEVELOPER
N/A				

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