

MARKETBEAT MADISON

Industrial Q1 2024

	YoY Chg	12-Mo. Forecast
2.8% Vacancy Rate	▲	▬
643K YTD Net Absorption, SF	▼	▬
\$6.18 Asking Rent, PSF <small>(Overall, Net Asking Rent)</small>	▼	▲

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 industrial market remained incredibly strong in the first quarter, reporting 643,151 square feet (sf) of positive net absorption, and a continued low vacancy rate of 2.8%. Absorption in Q1 can be attributed to just over 600,000 sf of owner-user construction deliveries, since large movement within the existing space market has slowed.

The market vacancy rate decreased 10 bps quarter-over-quarter (QOQ) to 2.8%. However, vacancy increased 80 bps YOY as the market delivered a record amount of new construction in 2023. Strong tenant demand in Madison has led to new deliveries quickly leasing up, with 76% of the square footage delivered since Q1 2023 having been occupied at the conclusion of Q1 2024. Among speculative construction deliveries that have occurred since the start of 2023, 62% has been leased.

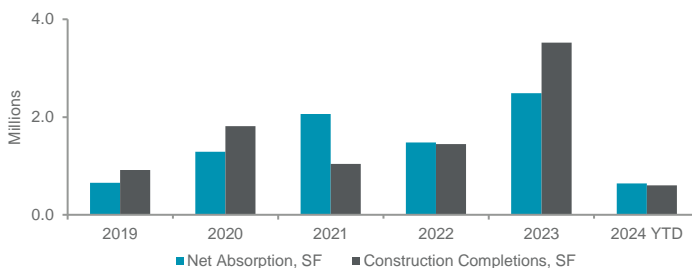
Leasing activity in Q1 totaled 864,960 sf across 23 transactions, led by E-Town Logistics leasing 293,966 sf at recently sold 200 Interstate Boulevard in Edgerton. A prominent speculative delivery from 2023, 5525 Tradesmen Drive in Madison, was fully leased up with Goodwill (65,582 sf) and OnTrac (39,536 sf) leasing the building's remaining available space.

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 six Class A buildings in the market currently have space available, with just three buildings offering space greater than 100,000 sf. All buildings containing space were delivered in either 2023 or 2024. However, asking rates have stabilized in the \$6.00-\$6.50 triple net (NNN) range over the past two years, following a steady 2020-2021 increase. As new supply ceases, expect asking rates to rise again, as recent executed Class A leases have averaged between \$8-10 NNN.

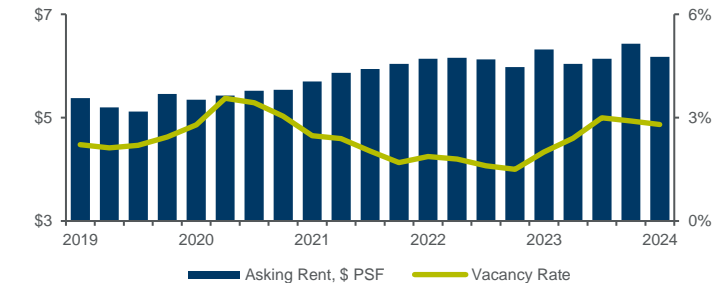
OUTLOOK

Due to current financing constraints and strong demand for Class A space, the industrial market in Metro Madison will continue to have low vacancy rates and increasing rents. Leasing activity is expected to slow down not due to reduced demand, but because of the scarcity of available space. As the region's population grows rapidly, both users and developers will likely seek out locations in surrounding communities, where land is more abundant. This shift is driven by the challenges of developing within Madison's unique isthmus geography, especially as other asset classes like housing take precedence.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MADISON

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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	23,924,483	412,483	1.7%	171,719	171,719	174,500	222,800	\$5.00	\$7.48	\$5.62
Dane County East	34,025,379	769,319	2.3%	503,543	503,543	278,488	90,700	\$6.00	\$8.60	\$6.46
DANE COUNTY TOTALS	57,949,862	1,181,802	2.0%	675,262	675,262	452,988	313,500	\$5.55	\$8.10	\$6.26
Rock County	29,324,520	1,302,913	4.4%	-32,111	-32,111	350,000	288,000	\$5.30	\$3.95	\$5.27
MADISON TOTALS	87,274,382	2,484,715	2.8%	643,151	643,151	802,988	601,500	\$5.48	\$7.00	\$6.22

*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	28,385,305	464,790	1.6%	392,755	392,755	490,000	389,000	\$5.48
Office Service / Flex	10,563,626	186,196	1.8%	36,022	36,022	34,888	84,500	\$7.00
Warehouse / Distribution	48,325,451	1,833,729	3.8%	214,374	214,374	278,100	128,000	\$6.22

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
200 Interstate Boulevard, Edgerton	Dane County East	E-Town Logistics	293,966	New
400 Innovation Drive, Janesville	Rock County	Confidential	185,000	New
5525 Tradesmen Drive, Madison	Dane County East	Goodwill	65,582	New
5525 Tradesmen Drive, Madison	Dane County East	OnTrac	39,536	New
500 S Division Street, Waunakee	Dane County West	Wells Concrete Products Co.	34,391	New Expansion

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
200 Interstate Boulevard, Edgerton	Dane County East	Alliance Development / Save-A-Lot Foods	293,966	\$18.3M / \$62
1809 Adel Street, Janesville	Rock County	Zilber Property Group / Serta Simmons Bedding	284,776	\$5.8M / \$20
1500 Lee Lane, Beloit	Rock County	Zilber Property Group / Serta Simmons Bedding	200,000	\$5.2M / \$26
400 Interpane Lane, Deerfield	Dane County East	Three Leaf Partners / Wisconsin Built	122,600	\$6.4M / \$52

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT(S)	SF	OWNER / DEVELOPER
6591 County Road M, Verona	Dane County West	N/A	164,000	Arrowhead Pharmaceuticals
1155 Ambition Street, Verona	Dane County West	N/A	58,800	Everlight Solar

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