

# MARKETBEAT MADISON

## Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
<b>2.8%</b> Vacancy Rate	▲	▬
<b>1.0M</b> YTD Net Absorption, SF	▼	▼
<b>\$5.67</b> Asking Rent, PSF <small>(Overall, Net Asking Rent)</small>	▼	▲

### ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
<b>426.6K</b> Madison Employment	▲	▲
<b>2.4%</b> Madison Unemployment Rate	▲	▲
<b>4.1%</b> U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics  
Q2 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 15 basis-points (bps) year-over-year (YOY) to 2.4%, and overall employment in the region rose 0.9% YOY.

### MARKET OVERVIEW

The Metro Madison industrial market reported 377,253 square feet (sf) of positive net absorption in the second quarter of 2024, and maintained a low vacancy rate of 2.8%. The vacancy rate remained unchanged quarter-over-quarter (QOQ) at 2.8%, but has increased by 40 basis points (bps) YOY as the market has cooled slightly since its peak in late 2022.

Overall Q2 leasing activity (new leases and renewals) totaled 526,213 sf. Year-to-date (YTD) overall activity increased by 5.5% YOY, and new activity increased by 7.9% YOY. The Dane County East submarket has experienced 68% of overall market YTD activity and 65% of new YTD activity, due to its abundance of recent construction completions and interstate proximity.

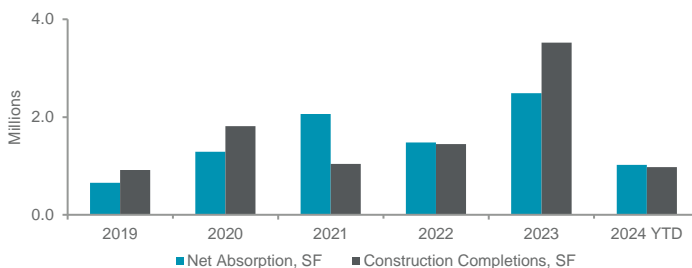
The market for high-quality Class A space near the City of Madison remains exceptionally tight as existing tenants seek to upgrade or expand, and new tenants enter the market. Currently, only one Class A building in Dane County offers more than 50,000 sf of available space. Of the two speculative projects under construction, totaling 320,012 sf, one project is already fully pre-leased.

Overall market asking rental rates have decreased by 6.1% YOY to \$5.67 triple net (NNN) per square foot (psf), due to a significant decrease in asking rents for owner-user properties. On the investor-owned side, Class A properties have seen a 15.6% increase YOY in asking rents to \$8.71 psf, while Class B properties recorded a modest 1.7% decrease YOY to \$5.38 psf. Without new supply, expect asking rates to rise again, driven by recently executed Class A leases averaging between \$8-10 NNN.

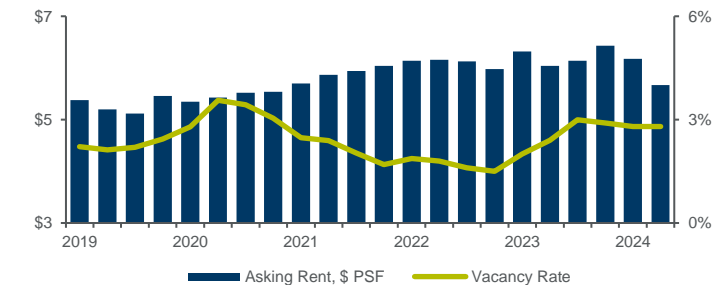
### OUTLOOK

Despite lower leasing velocity and no expected speculative construction deliveries in 2024, the strength of Madison's industrial market is evident in its continued YOY growth in new leasing activity. Significant demand still exists in the market, and with the prospect of future interest rate cuts, increased activity is expected as new supply is delivered. Until the market reaches a point of equilibrium for tenants and landlords, estimated to be around 5-6% overall market vacancy, asking rents will continue to increase due to the lack of options for tenants looking to expand or relocate to new space. With Dane and Rock Counties experiencing 2.0% population growth since 2020, the Metro Madison economy will continue to grow and create demand for industrial real estate.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



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## Industrial Q2 2024

### 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	23,910,762	430,045	1.8%	-17,562	154,157	291,500	222,800	\$5.00	\$7.34	\$5.62
Dane County East	34,474,288	765,045	2.2%	274,483	778,026	320,012	369,188	\$5.01	\$8.57	\$6.52
<b>DANE COUNTY TOTALS</b>	<b>58,385,050</b>	<b>1,195,090</b>	<b>2.0%</b>	<b>256,921</b>	<b>932,183</b>	<b>611,512</b>	<b>591,988</b>	<b>\$5.01</b>	<b>\$7.97</b>	<b>\$6.25</b>
Rock County	29,445,251	1,293,860	4.4%	120,332	88,221	420,791	388,000	\$4.66	\$4.25	\$5.00
<b>MADISON TOTALS</b>	<b>87,830,301</b>	<b>2,488,950</b>	<b>2.8%</b>	<b>377,253</b>	<b>1,020,404</b>	<b>1,032,303</b>	<b>979,988</b>	<b>\$4.92</b>	<b>\$6.77</b>	<b>\$6.23</b>

\*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	28,543,764	461,910	1.6%	2,880	395,635	677,791	389,000	\$4.92
Office Service / Flex	10,606,544	210,444	2.0%	-24,248	11,774	0	84,500	\$6.77
Warehouse / Distribution	48,679,993	1,816,596	3.7%	398,621	612,995	354,512	506,488	\$6.23

### KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1901 Gateway Boulevard, Beloit	Rock County	MTL Manufacturing	150,000	New
4722 Helgesen Drive, Madison	Dane County East	U.S. AutoForce	121,400	Renewal

### KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
4260 Capital Circle Drive, Janesville	Rock County	General Capital Group / SARA Investment Real Estate	173,237	\$16.3M / \$94
4402 Robertson Road, Madison	Dane County East	Crown Enterprises, LLC / FedEx	16,800	\$5.0M / \$298

### 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
4189 Bear Tree Parkway, DeForest	Dane County East	PepsiCo	163,600	The Dickman Company, Inc.
1155 Ambition Street, Verona	Dane County West	N/A	58,800	Everlight Solar
6380 North Towne Road, DeForest	Dane County East	FedEx	34,888	Livesey Company

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