

MARKET FUNDAMENTALS

	YOY Chg	Outlook
11.0% Vacancy Rate	▲	▲
-99K YTD Net Absorption, SF	▼	▲
\$23.62 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▬	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
429.5K Madison Employment	▼	▲
2.3% Madison Unemployment Rate	▲	▲
4.1% United States Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

ECONOMY

Madison, Wisconsin's State Capitol and home to the University of Wisconsin-Madison, has an economy historically based on government and education. The rapidly growing Dane County region has seen significant growth in biotechnology, information and health technology, agribusiness/food, and precision manufacturing. Metro Madison's unemployment rate increased by 30 basis points (bps) year-over-year (YOY) to 2.3%, while overall employment in the region declined by 0.1% YOY.

MARKET OVERVIEW

The Madison office market's overall vacancy rate increased by 40 bps YOY to 11%, remaining within the 9-11% range since early 2021. In Q1 2025, the market experienced a negative absorption of -99,214 square feet (sf), with the Northwest / Middleton submarket contributing the most to this decline, accounting for 93,283 sf. This submarket, with a concentration of large corporate users, has recently seen significant space reductions as firms downsize in hybrid work environments.

In Q1, there were 39 lease transactions (new and renewals) totaling 153,660 sf, marking a 28% YOY increase. Increased activity from larger users led to the signing of several significant leases, including three deals that each exceeded 10,000 sf.

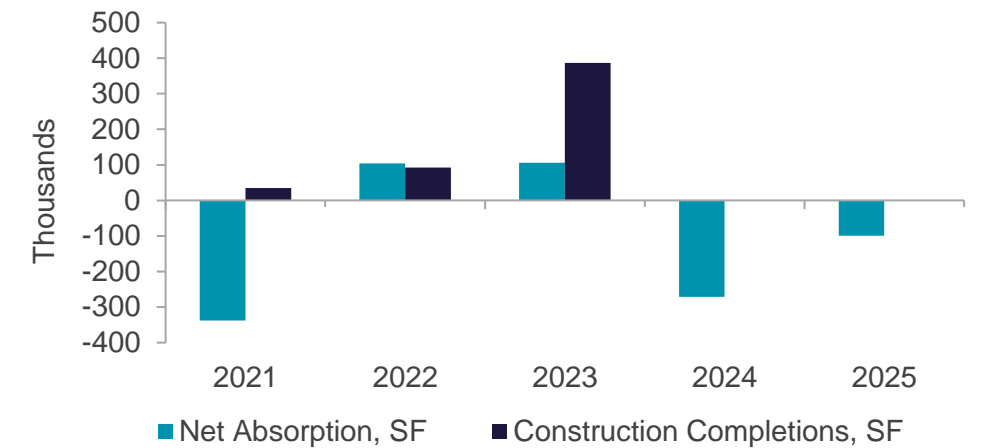
Class A space remains highly sought after, with 70,706 sf leased in Q1, reflecting a 21% YOY increase from Q1 2024. However, despite tenants' preference for premium space, the trend of downsizing footprints persists, resulting in a 170 bps YOY rise in Class A vacancy to 14.3%.

The overall market asking rate remained flat YOY, with only a 0.1% increase to \$23.62 per square foot (psf). Class A asking rental rates decreased 1.1% YOY to \$25.85 psf.

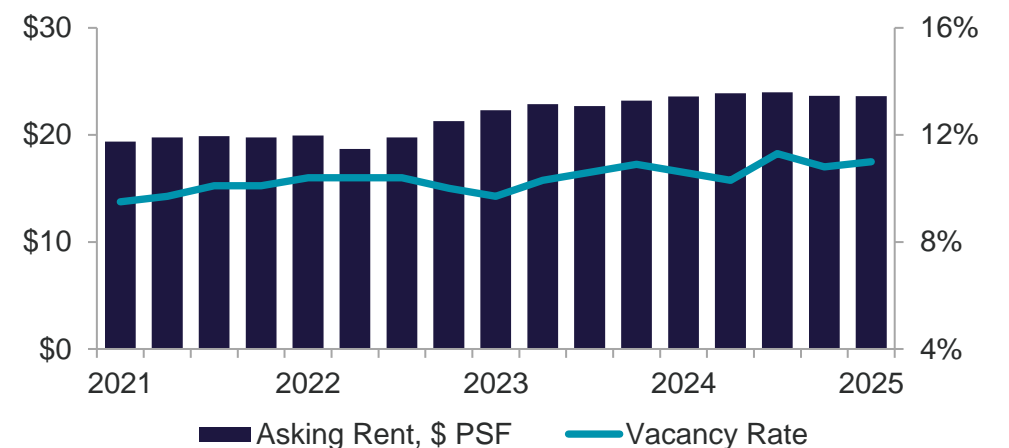
OUTLOOK

The Madison office market is experiencing increased activity and demand from larger tenants. With greater incentives for companies to bring their employees back to the office, tenants are seeking larger spaces to accommodate their new needs. However, there is some uncertainty regarding the impact of recently terminated government office leases. These terminated leases could affect companies that rely on government interactions and potentially disrupt tenant dynamics in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAILABLE (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Madison Isthmus / CBD	3,589,236	534,465	439,473	12.2%	-63,772	-63,772	19,038	0	\$25.78	\$26.46
CBD TOTALS	3,589,236	534,465	439,473	12.2%	-63,772	-63,772	19,038	0	\$25.78	\$26.46
Near West Madison	3,538,593	384,181	200,430	5.7%	4,368	4,368	16,433	0	\$20.45	\$27.12
Northeast	2,587,087	533,999	304,684	11.8%	38,895	38,895	50,945	0	\$20.75	\$21.74
Northwest / Middleton	4,082,091	1,253,712	645,257	15.8%	-93,283	-93,283	31,442	0	\$26.23	\$26.17
South Central	1,396,918	201,462	88,659	6.3%	24,239	24,239	30,878	0	\$20.28	N/A
Southeast	502,402	86,950	86,160	17.1%	-8,176	-8,176	4,924	0	\$18.64	N/A
Southwest	664,988	75,551	42,297	6.4%	-1,485	-1,485	0	0	\$23.99	\$24.10
NON-CBD TOTALS	12,772,079	2,535,855	1,367,487	10.7%	-35,442	-35,442	134,622	0	\$22.89	\$25.54
MADISON TOTALS	16,361,315	3,070,320	1,806,960	11.0%	-99,214	-99,214	153,660	0	\$23.62	\$25.85

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3591 Anderson St, Madison	Northeast	Unnamed	35,540	New
1289 Deming Way, Madison	Northwest / Middleton	Unnamed	11,478	New
2501-2601 W Beltline Hwy, Madison	South Central	McClone Insurance	10,232	New
749 University Row, Madison	Near West Madison	Atmosphere Commercial Interiors	9,426	New
1232 Fourier Dr, Madison	Northwest / Middleton	Cultivate Behavioral Health	8,916	New

KEY SALES TRANSACTIONS Q1 2025

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

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