

Madison Industrial Snapshot | Q4 2022



MARKET INDICATORS

2.8%

VACANCY RATE



123,077

NET ABSORPTION



\$7.12

AVG MARKET RENT



469,723

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

2.2%

MADISON UNEMPLOYMENT RATE



3.6%

U.S. UNEMPLOYMENT RATE



The Madison industrial market closed out 2022 with a handful of construction projects being completed, as well as strong leasing activity. The demand for industrial space, specifically logistics space, continues to prove this market is an affordable one for tenants and investors alike.

VACANCY & RENTAL RATES

During Q4, Madison's industrial vacancy rate dropped from 3.3% in Q3 to 2.8%. The substantial quarterly drop was due to construction projects being delivered during the quarter with some of those properties completing construction while also being partially or fully leased. One example of this is the newly completed Greywolf Industrial II, located at 6305 Ronald Reagan Drive, in the Center for Industry and Commerce. The 122,038 square foot building was fully leased to Uniek, Inc., a designer, manufacturer and supplier of home décor products.

With the average price per square foot still much lower than the national average of \$11.10 per square foot, Madison's rate is \$7.12 per square foot. While flex space tends to command higher rents, and specialized space receiving a lower-than-average rate, the Madison marketing continues to be affordable and will likely continue to lag behind the national average for the foreseeable future.

LEASING & SALES

Strong leasing activity has continued through the end of the year in the Madison market, with the top five significant quarterly leases totaling more than one million square feet. These leases included Colony Brands and an undisclosed tenant, in Outlying Dane County, as well as Quest Industries, Uniek, Inc. and Plastic Ingenuity, all in the Northwest Madison submarket. This high

activity of leasing continues proving Madison needs new and upgraded industrial facilities.

Sales activity in the market is coming off of a record year last year, with \$325 million in total sales. The first half of 2022 began with the second-strongest start on record, of more than \$105 million in sales. The second half of the year saw a slower pace of sales, with Q3 totaling only \$8 million. Q4 saw three significant sales, 4725 Tradewinds Parkway, 2901 Packers Avenue and 3401 E. Washington Avenue, totaling approximately \$11.8 million. While not the higher sale quantity earlier in the year, the consistent sale transactions continue to show a positive outlook on the Madison industrial market overall.

CONSTRUCTION

A majority of in progress construction projects wrapped up during Q4, causing the amount of square feet under construction to decrease. Q3 saw a total of 838,142 square feet, and that dropped almost half in Q4 to 469,723 square feet. The current number reflects the roughly 450,000 square feet of committed space that was noted during Q3. Construction in 2022 has placed a bit of pressure on vacancies, which is currently sitting at 2.8%. With continued strong demand, it is likely to keep vacancy rates under 4% as we move into 2023. There are currently nine properties under construction, with most slated for a Q1 2023 delivery. The first expected deliveries include 2128 and 2104 City View Drive, as well as 3818-3858 John Wall Drive, slated for a February completion date. While 2022 has been a record year for overall construction activity, it has been a banner year for logistics related development, as that is the demand from the market.

Source: CoStar, Bureau of Labor Statistics

Madison Industrial Snapshot | Q4 2022

Industrial Market Statistics

Submarket	Inventory	Available SF	Total Vacant SF	Total Absorption (SF)	YTD Total Absorption (SF)	Vacancy Rate	Total Under Construction	Average Market Rent
Central Campus	2,082,491	23,598	23,598	-	1,887	1.10%	-	\$ 8.66
Columbia County	6,306,700	135,255	115,625	-	200,500	1.80%	-	\$ 4.52
Iowa County	1,779,989	8,224	-	-	13,211	0.00%	-	\$ 6.86
Near West Madison	1,408,005	153,195	40,000	45,500	47,457	2.80%	-	\$ 9.73
Northeast Madison	13,929,323	372,338	179,422	262,154	391,115	6.50%	78,800	\$ 7.11
Northwest Madison	5,812,075	301,339	236,349	182,835	(125,956)	4.10%	-	\$ 9.52
Outlying Dane East	14,406,755	721,432	96,000	23,900	293,580	0.70%	227,514	\$ 6.26
Outlying Dane West	8,421,025	128,049	112,100	18,293	(32,351)	4.60%	-	\$ 6.80
S Central Madison	6,528,573	135,364	41,857	320	85,946	0.60%	-	\$ 7.99
Southeast Madison	9,888,358	391,347	159,683	292,755	297,657	3.20%	163,409	\$ 7.55
Southwest Madison	1,151,711	11,920	-	-	21,273	0.00%	-	\$ 8.25
Madison Totals	71,715,005	2,382,061	1,004,634	825,757	1,194,319	1.40%	469,723	\$ 7.57

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Colony Brands	1615 Commerce Dr	427,000	Outlying Dane East
Undisclosed	5487 N Blue Bill Park Dr	270,000	Outlying Dane West
Quest Industries	2235 Eagle Dr	130,228	Northwest Madison
Uniek Inc.	6305 Ronald Reagan	122,038	Northeast Madison
Plastic Ingenuity	8400 Fairway Pl	109,163	Northwest Madison

Significant Sales Transactions

Buyer	Address	Price	Submarket
Undisclosed	4725 Tradewinds Pky	43,740	Southeast Madison
Lacrosse Seed Co and others	2901 Packers Ave	95,000	Northeast Madison
Undisclosed	3401 E Washington Ave	110,000	Northeast Madison

Sources: CoStar

The above Madison statistics include a select tracked set submarkets including an inventory of buildings considered to be competitive per CoStar. This does not include all buildings or building types, but focuses on the core properties to determine quarterly statistics. Data includes owner-occupied buildings and includes all property sizes including single and multi-tenant buildings.

www.greywolfpartners.com | 877.543.4739

Disclaimer: Information included or referred to herein is furnished by third parties believed to be reliable and is not guaranteed as to its accuracy or completeness. You understand that all information included or referred to herein may contain errors or omissions and is presented without any warrant or representation to its accuracy.

