

Madison Industrial Snapshot | Q1 2023



MARKET INDICATORS

2.5%

VACANCY RATE



399,296

NET ABSORPTION



\$7.77

AVG MARKET RENT



818,348

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

2.4%

MADISON UNEMPLOYMENT RATE



3.4%

U.S. UNEMPLOYMENT RATE



Retailers are relying more upon inventory reserves as well as third party logistics as consumer's are continuing to shift towards online shopping. This trend is causing an increase in the need for leased or owned logistics related space and will continue to do so as Madison's population keeps growing.

VACANCY & RENTAL RATES

Madison's industrial vacancy rate started 2023 with another drop, from 2.8% at the end of 2022, to 2.5% in Q1 2023. The high demand with low availability is contributing to this drop. Since demand is expected to remain high, especially within the third-party logistics sector, it is likely to maintain a low vacancy rate for the remainder of 2023.

The Madison market maintains a much lower than national average price per square foot, which currently sits at \$7.77, compared nationally to \$11.40 per square foot. While local rent growth continues to increase, it is outperformed when compared to the national average. Rents for logistics space still see the largest increases, which in Madison are \$7.10 per square foot, near the overall Madison market rent average for the quarter.

LEASING & SALES

Leasing activity at the start of 2023 remains strong within the Madison market. Compared to Q4 2022, the

opening quarter's significant leases are of smaller transaction sizes. This quarter saw the top significant transactions all under 100,000 square feet, and only totaling just under 250,000 total square feet. That compares to the more than one million square feet in transactions at the end of Q4.

Sales activity in the market is down compared to the first half of last year, which saw high investment activity. In Q1, only one significant sales transaction occurred. Research Productions Corporation purchased 5487 N Blue Bill Park Dr in the Outlying Dane West submarket for a price of \$14.2 million.

CONSTRUCTION

Q1 saw an increase in construction, jumping to 818,348 square feet, almost doubling the amount seen in Q4 2022. There are currently 10 projects under construction, with more than half expected to deliver by the end of Q2. The first grouping includes 6002 Femrite Drive at the Madison Industrial Campus, 749 Little Potato Way, 3818-3858 John Wall Drive, 4341 Duraform Lane and 4314-4319 Duraform Lane. These five properties total more than 432,000 square feet of construction. As expected, we are starting to see some of the smaller submarkets expand their development and construction areas, and we anticipate this continuing to happen the rest of the year.

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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	2,084,891	23,598	23,598	0	0	1.1%	0	\$8.90
Columbia County	6,306,700	462,115	129,615	(13,990)	188,810	2.1%	0	\$4.66
Iowa County	1,791,989	16,224	12,224	(12,224)	(12,224)	0.7%	0	\$7.11
Near West Madison	1,408,006	117,800	0	26,107	85,864	1.0%	0	\$9.95
Northeast Madison	14,002,052	428,429	200,599	2,299,839	516,753	5.2%	130,800	\$7.28
Northwest Madison	5,812,075	54,258	24,768	191,981	37,305	0.8%	140,000	\$9.79
Outlying Dane East	14,397,281	798,031	26,000	(24,600)	237,836	0.8%	393,514	\$6.49
Outlying Dane West	8,429,014	226,271	203,500	(87,367)	(123,858)	5.6%	0	\$6.96
S Central Madison	6,528,573	130,301	49,389	(20,032)	(6,905)	0.9%	0	\$8.15
Southeast Madison	9,926,565	304,677	53,021	109,582	419,385	2.2%	154,034	\$7.79
Southwest Madison	1,151,711	23,840	0	0	19,851	0.0%	0	\$8.37
Madison Totals	71,838,857	2,585,544	722,714	2,469,296	1,362,817	1.01%	818,348	\$7.77

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Undisclosed	2950 Innovation Way	82,000	Northeast Madison
Undisclosed	4349 Duraform Ln	51,000	Outlying Dane East
The Works Madison, LLC	2041 S Stoughton Rd	46,875	Southeast Madison
Undisclosed	2803 S Stoughton Rd	39,900	Southeast Madison
Christofferson Moving, Inc.	2901 Progress Rd	27,300	Southeast Madison

Significant Sales Transactions

Buyer	Address	Price	Submarket
Research Products Corporation	5487 N Blue Bill Park Dr	\$14,231,250	Outlying Dane West

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.

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