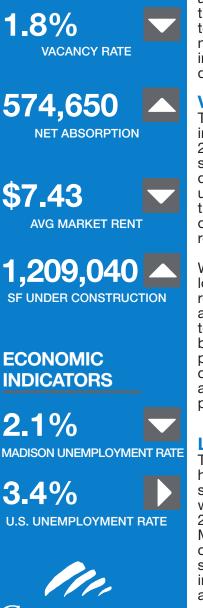
Madison Industrial Snapshot | Q2 2023



MARKET INDICATORS



RTNERS INC

The appetite for more Madison industrial space remains strong. Even though construction has increased, it is still lags behind other metropolitan areas because of very high demand in the market. Logistics space continues to be the most sought after, with a majority of activity being on the leasing side, whereas sales are slowing due to the climbing interest rates.

VACANCY & RENTAL RATES

The beginning of 2023 saw a drop in vacancy from the end of the year 2022, and now in Q2, there is another substantial drop going from 2.5% last quarter to 1.8% currently. This continues to reflect a very large demand in the market for industrial space and is one we expect to continue through the remainder of the year.

With a strong market demand and low vacancy, the average asking rental rate has decreased. In Q2 it is at \$7.43, down from \$7.77 last quarter. The Madison average still is well below the national average of \$11.60 per square foot. The local market continues to benefit landlords in the area, who have gained more in pricing power, because of limited availability.

LEASING & SALES

The strong start to leasing in 2023 has continued through Q2. Of the top significant leases, the most significant was the 95,000 square foot lease at 2417 W. Badger Road to O'Mara Moving Systems, Inc. This lease is close to the same size as the next four significant leases combined. So leasing is strong, but the sizes of leases are smaller, likely due to limited quantity of larger spaces. Sales activity continues to be slow in the first half of the year. In Q2, the most significant sale transaction was SARA Investment Real Estate's purchase of 150 Business Park Drive, an 180,000 square foot manufacturing facility in Sun Prairie for \$8 million. The next most significant sale was Grindstone Management LLC's purchase of 908 Stewart St in the South Central Madison submarket for \$2.94 million. The division between buyers and sellers on pricing continues to be a challenge and impacting the amount of sales activity in the market.

CONSTRUCTION

While sales activity is slow, the level of construction in the Madison market continues to increase. Q2 saw another jump in the amount of square feet under construction, increasing 400,000 square feet to 1.2 million square feet. This was up from Q1's total of 818,348 square feet. Currently there are 12 properties under construction with three new starts in Q2 alone, including 3204 Ohmeda Drive, a 272,483 square foot building expected to be completed Q2 2024. There are six properties slated for completion by the end of next quarter, which would bring more than 522,000 square feet to the market. These buildings include 6002 Femrite Drive, 749 Little Potato Way, 1800 Williams Drive, 2530 Agriculture Drive, 1730 Technology Drive and 1320 N. Bristol Street. These high levels of construction aren't having as large of an impact on the overall Madison industrial market due to the very high level of market demand.



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	2,090,891	26,686	19,686	3,912	3,912	0.90%	0	\$8.87
Columbia County	6,326,840	431,789	137,289	(7,674)	50,336	2.20%	0	\$4.75
Iowa County	1,791,989	16,224	12,224	0	(12,224)	0.70%	0	\$7.23
Near West Madison	1,415,006	117,800	0	13,893	69,246	0.00%	0	\$10.13
Northeast Madison	14,056,967	473,315	189,823	75,784	629,507	5.00%	123,000	\$7.38
Northwest Madison	5,791,225	61,273	30,018	14,350	393,416	0.50%	140,000	\$9.88
Outlying Dane East	14,460,186	1,109,595	248,360	(107,008)	(95,508)	2.10%	772,006	\$6.57
Outlying Dane West	8,447,164	59,374	16,133	457,367	303,967	0.20%	0	\$7.14
S Central Madison	6,529,081	112,141	61,829	(5,400)	(2,899)	1.00%	20,000	\$8.30
Southeast Madison	10,043,290	544,266	90,966	124,471	566,893	0.90%	154,034	\$7.92
Southwest Madison	1,151,711	23,840	0	0	0	0.00%	0	\$8.48
Madison Totals	72,104,350	2,976,303	806,328	569,695	1,906,646	1.12%	1,209,040	\$7.88

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
O'Mara Moving Systems, Inc	2417 W Badger Rd	95,000	West Madison
Undisclosed	6002 Femrite Dr	93,156	Outlying Dane East
Amanda	129 Railroad St	3,000	Northeast Madison
Yotrio Corporation	318 Locust Dr	2,850	Outlying Dane West
Undisclosed	Pinehurst Dr	1,485	Northwest Madison

Significant Sales Transactions

Buyer	Address	Price	Submarket
SARA Investment Real Estate	150 Business Park Dr	\$8,000,000	Outlying Dane East Submarket
Grindstone Management Llc	908 Stewart St	\$2,940,000	S Central Madison Submarket
Undisclosed	1421 E Main st	\$1,249,000	Central Campus
1009 Applegate Rd LLC	1009 Applegate rd	\$1,200,000	S Central Madison Submarket
Lyschel Walter	4903 Commerce ct	\$952,000	Southeast 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

GREYWOLF

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.