

Madison Office Snapshot | Q2 2023



MARKET INDICATORS

5.8%

VACANCY RATE



(7,464)

NET ABSORPTION



\$23.09

AVG MARKET RENT



565,800

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

2.1%

MADISON UNEMPLOYMENT RATE



3.4%

U.S. UNEMPLOYMENT RATE



The Madison market began the year with a slow start but is already seeing slight improvements with increased rental rates, new construction starts and some slated for completion this year. Tenants in the market are still focused on securing higher-quality office spaces at smaller lease sizes. While Madison is seeing a stabilization of vacancies, it is largely in part due to local companies remaining active in the market.

VACANCY & RENTAL RATES

The Madison market is seeing more stabilization with vacancies, hovering between 5.5% and 6.0% since 2021, and currently sits at 5.8%, the same as last quarter. The Madison market sits well below the national average which is at 13.2%.

While the beginning of 2023 saw a slight dip in the average rental rates for the market, rates have increased over the past quarter, up to \$23.09 from \$21.47 in Q1. These rates are still lower than at the end of 2022, where rates were averaging \$22.58.

LEASING & SALES

As more square footage comes off the market, vacancies stabilize and we are seeing this through signed leases. Q2's largest lease size was 51,050 square feet for WEA Trust in the Southeast Madison submarket. The remaining significant leases were all at or below 10,000 square feet. Local

players are currently the most active in the market including healthcare, biotech and government sectors.

Q1 2023 saw a significant drop in sales activity, mainly due to a growing division in pricing expectations between buyers and sellers. In Q2, there is limited sales activity. There were only five significant sales, with the top three being more than double the sale price over the past few quarters. This quarter's top transaction was a 33,495 square feet at property at 5303 Fen Oak Drive in the Southeast Madison submarket.

CONSTRUCTION

The past 12 months has seen construction activity for Madison remain at a minimal level and this trend continues in this quarter's activity. In Q2, the amount of square footage under construction increased to 565,800 square feet, up nearly 120,000 square feet from last quarter alone. There are currently eight projects under construction, with five projects slated for completion next quarter.

Source: CoStar, Bureau of Labor Statistics

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Office 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	8,118,279	666,982	456,713	(2,711)	(40,027)	5.90%	111,000	\$25.54
Columbia County	543,295	60,375	60,375	(5,065)	7,552	11.10%	0	\$16.45
Iowa County	473,578	5,528	5,528	(1,848)	(5,528)	1.20%	0	\$21.01
Near West Madison	5,654,423	388,719	179,901	4,525	(98,727)	3.30%	309,800	\$22.71
Northeast Madison	6,757,989	1,214,870	496,532	(27,429)	111,585	7.60%	30,000	\$22.18
Northwest Madison	5,396,463	1,127,038	440,502	(38,967)	(66,471)	8.80%	0	\$24.80
Outlying Dane East	1,560,990	83,923	9,090	7,688	(134)	0.60%	65,000	\$20.05
Outlying Dane West	2,307,702	24,115	18,369	5,418	(2,951)	0.80%	50,000	\$23.94
S Central Madison	2,702,955	239,720	124,727	(9,034)	12,320	5.50%	0	\$21.39
Southeast Madison	2,279,760	209,099	107,997	2,107	(1,610)	4.90%	0	\$20.50
Southwest Madison	2,259,352	268,602	204,373	14,184	10,019	9.10%	0	\$22.19
Madison Totals	38,054,786	4,288,971	2,104,107	-51,132	-73,972	5.53%	565,800	\$21.89

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
WEA Trust	45 Nob Hill Rd	51,050	Southeast Madison
Undisclosed	4602 Biltmore Ln	10,850	Northeast Madison
Undisclosed	34 Schroeder Ct	9,971	Southwest Madison
Undisclosed	5202 Eastpark Blvd	6,120	Northeast Madison
Undisclosed	703 University Ave	4,718	Central Campus

Significant Sale Transactions

Buyer	Address	Size (SF)	Submarket
David A & Kathleen Boetcher	5303 Fen Oak Dr	\$2,970,000	Southeast Madison
Dale William Beck	2945 Triverton Pike Dr	\$2,650,000	S Central Madison
Isthmus Montessori Academy	1802 Pankratz St	\$2,600,000	Northeast Madison
JEK Properties	2439 Atwood Ave	\$1,550,000	Northeast Madison
Eastview Family Chiropractic Clinic	995 Applegate rd	\$800,000	S Central Madison

Sources: CoStar

The above Milwaukee 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 multitenant buildings.

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