

Madison Industrial Snapshot | Q3 2023



MARKET INDICATORS

2.2%

VACANCY RATE



(158,535)

NET ABSORPTION



\$7.98

AVG MARKET RENT



756,783

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

1.7%

MADISON UNEMPLOYMENT RATE



3.6%

U.S. UNEMPLOYMENT RATE



The industrial market in Madison, especially the logistics sector, continues to be strong, with consistent leasing activity and a pipeline of new construction properties that are being delivered each quarter.

VACANCY & RENTAL RATES

Madison's vacancy rate has risen slightly from last quarter, going from 1.9% to 2.2%. The vacancy rate is, however, still lower than what we saw in Q3 last year, where it was at 3.3%. While the rate has risen slightly this quarter it still shows that overall demand in the market is outpacing new supply being added. In particular the logistics sector is seeing the tightest vacancy rates overall.

The average market rental rate continues to make slow increases. In Q3 the rate jumped to \$7.98, up from \$7.43 in Q2, and up from Q3 2022, where the rental rate was only \$7.03. Despite these rate increases, this continues to remain much lower than the national average, which is \$11.70 per square foot. It is expected that while rates may climb steadily in this local market, they will still be below the national average for the foreseeable future.

LEASING & SALES

This year has had strong leasing activity, mainly driven by the demand for logistics space in the market. While activity has been high, there is an increasing number of leases on speculative buildings, as these new buildings are better able to deliver the distribution and warehouse needs of today's tenants. This quarter's most significant lease transaction was the 202,913 square foot lease of Placon

Corporation at 505-507 Stokely Drive in the Outlying Dane East submarket. That submarket saw the majority of significant lease activity in Q3 with leases from Emmi Roth at 1800 Williams Drive as well as undisclosed tenants at 5221 Verburg Street and 749 Little Potato Way.

Sales volume continues to be slow, with limited activity in the market. Due to rising interest rates, but also the growing divide between buyers and sellers on pricing, there continues to be a decline in the quantity of sales. While slow, this quarter did see more higher-price sales than the rest of the year-to-date. General Capital Group purchased three properties in the Northwest Madison submarket: first, 8400 Fairway Place sold for \$22.6 million; the other two, 2235 Eagle Drive and Building B of 8400 Fairway Place, sold for \$11.8 million and \$8.9 million, respectively.

CONSTRUCTION

Construction in the Madison market is strong, mainly due to the demand for new and modern speculative buildings to handle the growing requirements of logistics-related tenants. That said, Q3 saw a decrease in properties currently under construction from last quarter, dropping from 1.2 million square feet to 756,783 square feet, due to a handful of properties that were delivered over the quarter. There are also another five properties slated for completion before the end of the year, totaling 446,000 square feet. These include: 6002 Femrite Drive; 1800 Williams Drive; 2950 Innovation Way; 2530 Agriculture Drive; and 2825 Perry Street.

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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	2,098,117	46,390	39,086	(19,400)	(15,488)	1.86%	0	\$9.03
Columbia County	6,527,924	438,106	143,606	162,662	141,598	2.20%	0	\$4.78
Iowa County	1,806,925	31,160	31,160	(18,936)	(31,160)	2%	0	\$7.39
Near West Madison	1,415,006	95,000	-	-	92,500	0.00%	0	\$10.20
Northeast Madison	14,027,369	439,593	220,977	(49,956)	400,083	5.20%	123,000	\$7.48
Northwest Madison	5,804,688	65,715	25,300	4,718	393,884	0.44%	140,000	\$10.00
Outlying Dane East	14,853,034	1,092,495	491,276	135,107	27,399	3.66%	392,483	\$6.71
Outlying Dane West	8,450,100	333,246	286,475	-270,342	118,851	3.39%	58,800	\$7.27
S Central Madison	6,532,445	115,216	115,216	(72,724)	(97,836)	2.14%	20,000	\$8.37
Southeast Madison	10,137,841	519,926	238,357	(29,664)	503,023	2.49%	22,500	\$8.00
Southwest Madison	1,146,691	23,840	-	-	-	0%	0	\$8.56
Madison Totals	72,800,140	3,200,687	1,591,453	(158,535)	1,532,854	2.19%	756,783	\$7.98

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Placon Corporation	505-507 Stokely Dr	202,913	Outlying Dane East
Emmi Roth	1800 Williams Dr	120,000	Outlying Dane East
Undisclosed	521 Verburg St	52,500	Outlying Dane East
Undisclosed	301 Broadway Dr	45,000	Northeast Madison
Undisclosed	749 Little Potato Way	39,024	Outlying Dane East

Significant Sales Transactions

Buyer	Address	Price	Submarket
General Capital Group	8400 Fairway Pl	\$22,692,686	Northwest Madison
General Capital Group	2235 Eagle Dr	\$11,835,069	Northwest Madison
General Capital Group	Building B (8400 Fairway Pl)	\$8,972,245	Northwest Madison
Undisclosed	2001 Fish Hatchery Rd	\$3,860,000	Central Campus
Undisclosed	1401 S Stoughton Rd	\$3,700,000	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.

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