

# Madison Office Snapshot | Q3 2023



## MARKET INDICATORS

5.8%

VACANCY RATE



(107,135)

NET ABSORPTION



\$21.89

AVG MARKET RENT



529,813

SF UNDER CONSTRUCTION



## ECONOMIC INDICATORS

1.7%

MADISON UNEMPLOYMENT RATE



3.6%

U.S. UNEMPLOYMENT RATE



While the Madison market continues to see a very stable vacancy rate, the tenants in the market are obtaining smaller spaces than in previous quarters. This will be a market to watch moving forward because of limited new construction happening, and a slowdown in investment sales in the area.

### VACANCY & RENTAL RATES

Madison continues to see a stable vacancy rate of 5.8%. This is the third consecutive quarter where the rate has remained the same and is still below the national average of 13.3%.

The third quarter saw a slight dip in the rental rates to \$21.89 (Modified Gross), down from Q2's rate of \$23.09. It is also lower than Q3 2022, where the rate was \$22.53. Market rent growth in Madison has been dropping this year and is expected to continue this decline throughout the remainder of the year.

### LEASING & SALES

Leasing activity in the market continues to improve, but at a slower rate. In Q3, the significant transactions were slightly larger leases than in past quarters. The top significant transaction of the quarter was Northwestern Mutual's 15,120 square foot lease at Greenway Center in the Northwest Madison submarket. Additional significant leases included two more in the Northwest Madison submarket, including a 14,573 square

foot lease at Deming Plaza to an undisclosed tenant and a 7,631 square foot lease at Greenway Center to Heckmann Financial.

Sales activity in the market continues to be very limited, with only a handful of transactions occurring. The year-to-date sales have been much slower than the second half of 2022, which saw deal volumes at three-year highs. Currently, rising interest rates coupled with the increasing division between buyers and sellers on pricing expectations, are contributing to the slowdown in activity. The top transaction in Q3 was Acadia Healthcare's purchase of 2335 City View Drive for \$6.7 million. Auxiant and Cliff Insurance Agency, Inc. also purchased properties during the quarter, totaling a combined \$5.9 million. Limited sales activity is expected to continue through the remainder of the year.

### CONSTRUCTION

In Q3, the overall amount of square feet under construction was only slightly lower than in Q2, dropping to 529,813 square feet this quarter from 565,800 square feet. There were no new projects added during Q3. There are, however, three projects slated for completion by the end of the year. These include: Block 1 at Madison Yards; VA Madison East Clinic at 4904 Eastpark Boulevard; and 210-220 S. Hamilton Street.

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	8,225,956	651,011	443,675	83,527	50,543	5.77%	75,013	\$25.80
Columbia County	549,577	62,070	61,070	(1,945)	11,497	11.34%	0	\$16.52
Iowa County	473,578	5,528	5,528	0	-5,528	1.17%	0	\$20.91
Near West Madison	5,658,433	425,709	218,421	(34,922)	(115,025)	3.90%	309,800	\$22.80
Northeast Madison	6,681,392	1,127,487	479,397	(22,985)	11,088	7.24%	30,000	\$22.31
Northwest Madison	5,424,057	1,149,187	536,674	(142,463)	(192,499)	11.40%	0	\$24.83
Outlying Dane East	1,560,990	93,723	18,890	(9,800)	(11,218)	1.21%	65,000	\$19.95
Outlying Dane West	2,307,702	22,010	17,564	805	(2,146)	0.76%	50,000	\$23.74
S Central Madison	2,702,955	207,807	113,013	35,230	62,827	4.18%	0	\$21.27
Southeast Madison	2,279,760	232,575	129,074	(17,239)	66,637	5.66%	0	\$20.42
Southwest Madison	2,317,320	255,021	196,368	2,657	11,643	8.72%	0	\$22.25
<b>Madison Totals</b>	<b>38,181,720</b>	<b>4,232,128</b>	<b>2,219,674</b>	<b>(107,135)</b>	<b>(112,181)</b>	<b>5.81%</b>	<b>529,813</b>	<b>\$21.89</b>

## Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Northwestern Mutual	Greenway Center	15,120	Northwest Madison
Undisclosed	Deming Plaza	14,573	Northwest Madison
Undisclosed	The Constellation	10,452	Central Campus
Undisclosed	316 W Washington Ave	8,213	Central Campus
Heckmann Financial	Greenway Center	7,631	Northwest Madison

## Significant Sale Transactions

Buyer	Address	Size (SF)	Submarket
Acadia Healthcare	2335 City View Dr	\$6,733,500	Northeast Madison
Auxiant	3002 Perry St	\$4,600,000	Central Madison
Cliff Insurance Agency, Inc.	2009 W Beltline Hwy - Vantage Point 1	\$1,300,000	S Central Madison
Undisclosed	818 W Main St	\$300,000	Northeast Madison
Undisclosed	6405 Century Ave, Basement - 3	\$130,000	Northwest 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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