

Madison Office Snapshot | Q4 2023



MARKET INDICATORS

5.9%

VACANCY RATE



1,340

NET ABSORPTION



\$23.21

AVG MARKET RENT



357,013

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

2.0%

MADISON UNEMPLOYMENT RATE



3.7%

U.S. UNEMPLOYMENT RATE



The Madison office market saw a stable vacancy rate throughout 2023, despite a slowdown in construction and sales activity in the area. This historically strong performing market is expected to outperform the national average in vacancy moving into 2024, but rent growth is likely to decline.

VACANCY & RENTAL RATES

The vacancy rate at the end of Q4 was up slightly to 5.9% from 5.8% in Q3. It was also higher than the end of 2022, which saw the vacancy rate ending at 5.7%. The rate has hovered in this range for about a year, and continues to outperform the national average, which sits at 13.6%.

Rental rates jumped in Q4, ending at \$23.21. This is up from \$21.89 in Q3, and the highest seen in the past year. While up locally, rent growth in the market has continued to decline all year and is expected to continue well into 2024.

LEASING & SALES

Even though leasing activity continues to increase, the overall size of transactions is smaller, as tenants are seeking less space but in higher quality buildings. In Q4 the most significant lease transaction was 34,500 square feet at 7800 Discovery Drive in the Northwest Madison submarket. It was leased to an undisclosed tenant. This lease was more than double the size of the largest significant transaction in Q3, which was Northwestern

Mutual's 15,120 square foot lease at Greenway Center, also in the Northwest Madison submarket. Additional significant leases in Q4 were focused in and around the Central submarket, including: 15,655 square feet of space leased to Wipfli, LLP at 2501-2601 W. Beltline Highway; 14,295 square feet of space to an undisclosed tenant at 810 E. Washington Avenue; and 8,875 square feet of space to Corneille Law Group at 3113 W. Beltline Highway.

Sales activity to close out 2023 continued to be limited. Q4 only saw three significant sale transactions, including Hoops of Dane County Inc. purchasing 133 S. Butler Street in the Central Campus submarket for \$1.6 million. The continuing divide between buyer and seller expectations have contributed to the significant decrease in sales volume in 2023. This divide is expected to continue as we move into 2024.

CONSTRUCTION

New construction declined 2023 ended. In Q4, 357,013 square feet of space was under construction, a decrease from Q3's total of 529,813 square feet. Currently, only five properties are under construction, with no new projects added during the past quarter. Two projects are slated for completion in Q1 2024: the Element Labs building at 5409 Mineral Point Road; and Centro Hispano of Dane County at 812 W. Badger Road.

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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	9,031,334	651,815	465,035	3,958	51,175	5.3%	65,013	\$25.70
Columbia County	551,450	58,876	57,876	4,444	(2,566)	10.5%	0	\$16.33
Iowa County	478,560	1,848	1,848	3,680	(1,848)	0.4%	0	\$20.94
Near West Madison	5,834,903	325,300	239,584	16,413	92,562	4.3%	147,000	\$23.29
Northeast Madison	7,325,392	1,159,930	508,608	(26,774)	(38,436)	7.0%	30,000	\$22.31
Northwest Madison	5,424,057	1,106,337	483,092	27,259	(179,103)	10.9%	0	\$24.81
Outlying Dane East	1,599,757	104,653	15,396	3,494	(7,724)	1.0%	65,000	\$19.84
Outlying Dane West	2,309,000	23,864	20,264	(2,700)	(3,700)	0.9%	50,000	\$23.57
S Central Madison	2,702,955	211,008	129,212	(25,074)	12,767	5.1%	0	\$21.10
Southeast Madison	2,279,110	232,746	133,024	(3,950)	60,942	5.8%	0	\$20.51
Southwest Madison	2,397,648	247,171	198,303	590	(22,893)	8.4%	0	\$22.15
Madison Totals	39,934,166	4,123,548	2,252,242	1,340	(38,824)	5.6%	357,013	\$21.87

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Undisclosed	7800 Discovery Dr	34,500	Northwest Madison
Wipfli, LLP	2501-2601 W Beltline Hwy	15,655	S Central Madison
Undisclosed	810 E Washington Ave	14,295	Central Campus
Regus	708 Heartland Trl	10,061	Northwest Madison
Cornelle Law Group	3113 W Beltline Hwy	8,875	S Central Madison

Significant Sale Transactions

Buyer	Address	Size (SF)	Submarket
Hoops of Dane County Inc	133 S Butler St	\$1,630,000	Central Campus
Gotham Bagels, Inc.	107 N Hamilton St	\$1,275,000	Central Campus
Chen Cheng	2987 Yarmouth Greenway Dr	\$840,000	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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