

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
11.3% Vacancy Rate	▲	▲
-283K YTD Net Absorption, SF	▼	▲
\$23.98 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
428.4K Madison Employment	▲	▲
2.3% Madison Unemployment Rate	▼	▲
4.1% United States Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics

ECONOMY

As the State Capitol of Wisconsin and the home of the University of Wisconsin-Madison, government, and education-related jobs have historically comprised the base of the local economy. Situated in Dane County, which boasts the fastest-growing county population in Wisconsin, the region has witnessed significant economic growth, driven by diverse industries, including biotechnology, information and health technology, agribusiness/food, and precision manufacturing. Metro Madison's unemployment rate decreased by 30 basis points (bps) year-over-year (YOY) to 2.3%, while overall employment in the region rose by 1.1% YOY.

MARKET OVERVIEW

The overall vacancy rate in the Madison office market increased 70 bps YOY to 11.3%, surpassing the 9-11% stabilized market vacancy range which lasted since early 2021. In the third quarter of 2024, the market experienced negative absorption of -128,368 square feet (sf), bringing the year-to-date (YTD) totals to -282,881 sf. The Northwest / Middleton submarket has the highest submarket vacancy rate at 16.5% primarily driven by large vacancies occurring this year in the Greenway Center business park, which has contributed -198,138 sf of the submarket's -200,590 sf YTD absorption.

There were 37 lease transactions totaling 134,084 sf of leased space (new leases and renewals) in Q3, bringing YTD totals to 447,468 sf, a 21.4% decrease YOY. With the lack of large corporate tenants in the market, new leasing activity continued to decrease this quarter and 11.4% YOY. Spaces between 5,000 and 10,00 sf are what is on the larger side of suites that tenants are seeking.

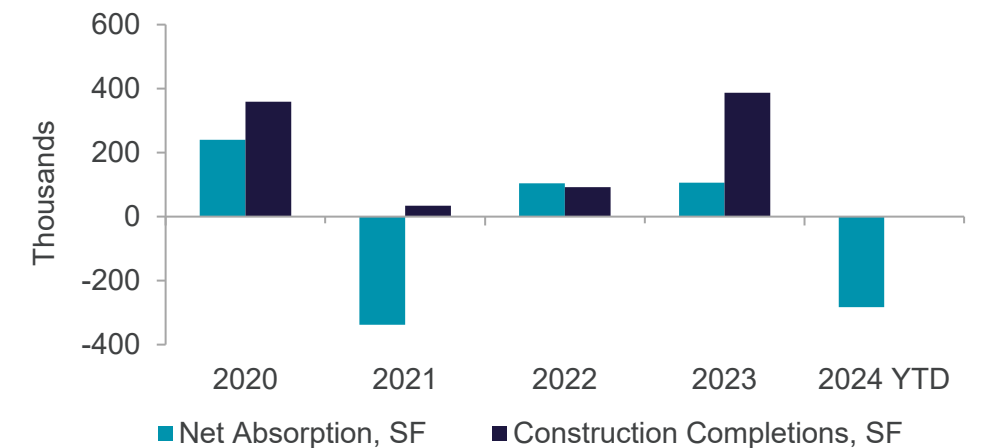
Although there is persistent demand for Class A space, recent moveouts from large tenants in non-CBD submarkets increased Class A vacancy 470 bps YOY to 15.0%. Class A YTD absorption in the CBD totals -30,888 sf, compared to -159,850 in non-CBD markets, reflecting the larger corporate tenants that are downsizing are currently located more in non-CBD submarkets.

The overall market asking rate slightly increased 0.3% quarter-over-quarter (QOQ) to \$23.98 gross per square foot (psf). Asking rental rates have grown 5.7% YOY, driven by inflationary effects on NNN expenses, along with continued demand for high-quality Class A space, which has seen rental rates increase 2.4% YOY to \$26.30 psf.

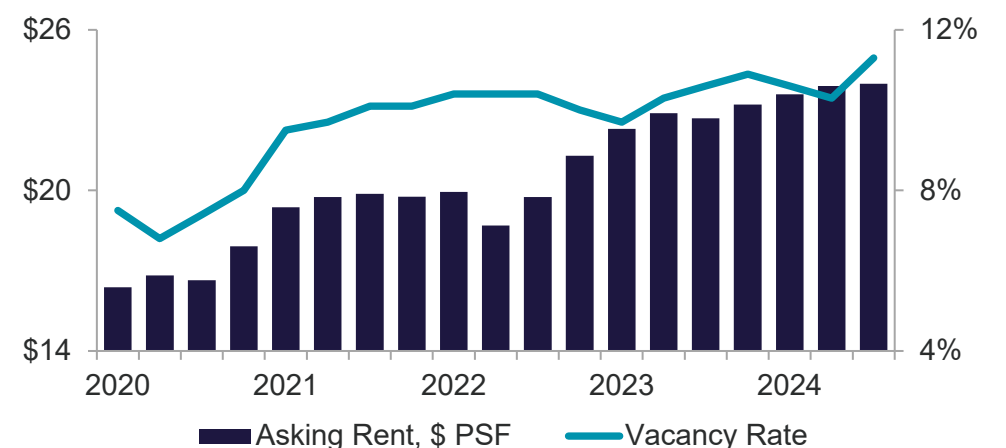
OUTLOOK

The Madison office market continues to see less demand for large office suites as corporate tenants continue to downsize. The decreased demand for office space greater than 10,000 sf creates a higher risk for single tenant corporate office campuses becoming vacant and obsolete. With local municipalities still hesitant to pursue conversions to other asset classes, expect overall vacancy to continue slowly increasing as these buildings vacate. Landlords are at a disadvantage in the current market and will need creative solutions to occupy their vacant space due to primarily smaller tenants being in the leasing market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAILABLE (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Madison Isthmus / CBD	3,600,164	512,024	412,134	11.4%	-37,122	-64,190	89,401	0	\$26.11	\$28.05
CBD TOTALS	3,600,164	512,024	412,134	11.4%	-37,122	-64,190	89,401	0	\$26.11	\$28.05
Near West Madison	3,538,593	341,739	204,742	5.8%	-17,964	-10,826	44,705	0	\$21.50	\$26.51
Northeast	2,587,123	547,151	320,018	12.4%	3,392	9,812	104,176	0	\$21.04	\$21.88
Northwest / Middleton	4,082,091	1,292,836	673,881	16.5%	-46,531	-200,590	138,610	0	\$26.34	\$26.18
South Central	1,396,918	243,791	123,779	8.9%	-36,064	-36,981	29,316	0	\$20.18	\$22.45
Southeast	502,401	90,687	56,788	11.3%	8,246	26,024	30,948	0	\$17.51	N/A
Southwest	664,988	83,154	51,617	7.8%	-2,325	-6,130	10,312	0	\$23.87	\$24.10
NON-CBD TOTALS	12,772,115	2,599,358	1,430,825	11.2%	-91,246	-218,701	358,067	0	\$23.23	\$25.45
MADISON TOTALS	16,372,279	3,111,382	1,842,959	11.3%	-128,368	-282,881	447,468	0	\$23.98	\$26.30

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10 Terrace Court, Madison	Northeast	Stevens Construction	26,200	New
25 W Main Street, Madison	Madison Isthmus / CBD	Unnamed	11,433	New
316 W Washington Avenue, Madison	Madison Isthmus / CBD	Type One Energy	8,216	New
4916 E Broadway, Madison	Southeast	Mad City Windows	7,710	New
1200 John Q Hammons Way, Middleton	Northwest / Middleton	Anderson & Shapiro Eye Care	6,775	Renewal

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
N/A				

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