



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.6% Vacancy Rate	▼	▼
1.3M YTD Net Absorption, SF	▼	▼
\$6.15 Asking Rent, PSF <i>(Overall, Net Asking Rent)</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 Wisconsin's capital and home to the University of Wisconsin-Madison, government and education jobs have long been central to the local economy. Recently, diverse industries like biotechnology, health technology, agribusiness, and precision manufacturing have driven significant economic and population growth. Metro Madison's unemployment rate dropped by 30 basis points (bps) year-over-year (YOY) to 2.3%, while overall employment rose by 1.1%.

MARKET OVERVIEW

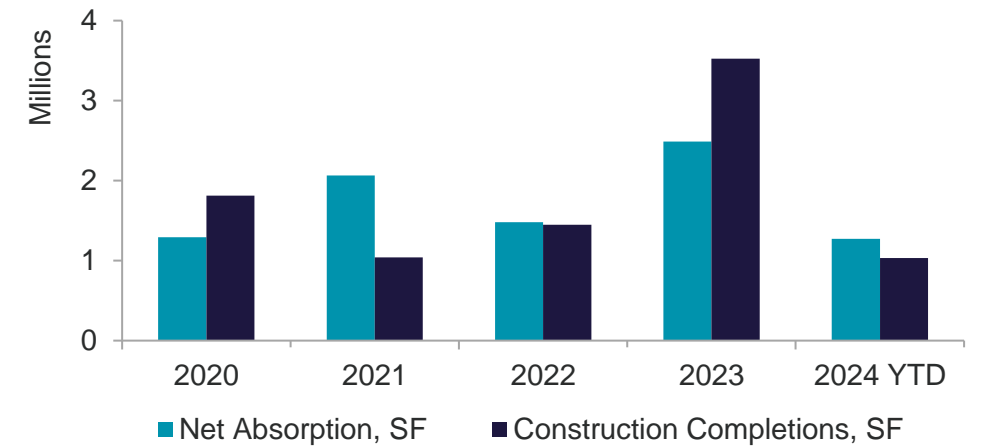
Madison's industrial market reported 251,134 square feet (sf) of net absorption in Q3 2024, reducing overall vacancy by 20 bps quarter-over-quarter (QOQ), and 40 bps YOY to 2.6%. The vacancy rate has now declined for four consecutive quarters. Overall Q3 leasing activity, including renewals, totaled 185,860 sf as year-to-date (YTD) activity decreased by 33% YOY, with new activity alone down by 34% YOY. This decline was due to a lack of in-demand new construction and fewer tenants seeking space.

New construction remains an issue in the Madison industrial market, with tenants looking to upgrade or expand. Only three Class A buildings offer more than 25,000 sf of available space, with just one in Dane County. Of the two speculative projects under construction (320,012 sf total), one is fully pre-leased. The overall market asking rental rate is \$6.15 triple net (NNN) per square foot (psf). Investor-owned Class A properties have seen a 10.6% increase YOY to \$8.63 psf, while Class B properties rose 3.2% YOY to \$6.09 psf. Expect asking rates to remain stable or rise as Class B properties become more competitive and the Class A market remains tight.

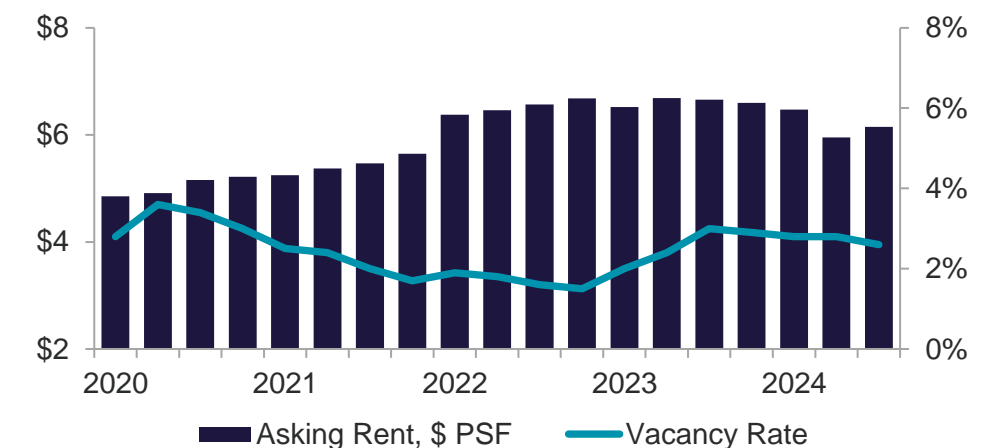
OUTLOOK

Despite slowdowns in other industrial markets, Madison is well-positioned for growth. The region is benefitting from limited third-party logistics (3PL) leasing during the pandemic, as those tenants are now rightsizing large amounts of space in other markets. Madison's organic economic growth across diverse industries has developers bullish on the market and ready for further investment. New construction will be crucial for the market, allowing local companies to expand at the right price point. Until the market reaches an equilibrium for tenants and landlords, estimated at around 5-6% overall market vacancy, rents will continue to increase.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAILABLE (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT* (MF)	OVERALL WEIGHTED AVG NET RENT* (OS)	OVERALL WEIGHTED AVG NET RENT* (W/D)
Dane County East	34,433,917	1,682,283	2.2%	3,236	781,262	627,812	369,188	\$5.01	\$8.65	\$7.72
Dane County West	23,908,164	766,750	1.2%	145,898	300,055	291,500	222,800	N/A	\$7.43	\$5.98
DANE COUNTY TOTAL	58,342,081	2,449,033	1.8%	149,134	1,081,317	919,312	591,988	\$5.01	\$8.03	\$6.90
Rock County	29,557,941	1,604,869	4.2%	102,000	190,221	420,791	440,000	\$4.87	\$5.00	\$5.38
MADISON TOTALS	87,900,022	4,053,902	2.6%	251,134	1,271,538	1,340,103	1,031,988	\$4.99	\$7.67	\$6.81

CLASSES	INVENTORY (SF)	OVERALL AVAILABLE (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Manufacturing	28,724,336	954,809	0.9%	248,518	644,153	677,791	441,000	\$4.99
Office Service / Flex	10,595,383	775,201	2.3%	-35,708	-23,934	0	84,500	\$7.67
Warehouse - Distribution	48,580,303	2,323,892	3.7%	38,324	651,319	662,312	506,488	\$6.81

*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5701 Manufacturers Dr, Madison	Dane County East	GSP	80,000	Sale-Leaseback
1750 Putman Pky, Milton	Rock County	Cargill	50,000	New

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
2951 Kennedy Dr, Beloit	Rock County	Schreiber Foods / Lyons Magnus	128,572	\$20.4M / \$159
5701 Manufacturers Dr, Madison	Dane County East	MLG Capital / GSP	80,000	\$7.5M / \$94

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
6591 County Road M, Verona	Dane County West	N/A	164,000	Arrowhead Pharmaceuticals
4189 Bear Tree Pkwy, DeForest	Dane County East	PepsiCo	163,600	Dickman Company

DAN PALEC

Director of Research
Tel: +1 414 436 3712
dpalec@boerke.com

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