

**MARKET FUNDAMENTALS**

	YOY Chg	Outlook
<b>10.8%</b> Vacancy Rate	▼	▲
<b>-271K</b> YE Net Absorption, SF	▼	▲
<b>\$23.65</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▲

**ECONOMIC INDICATORS**

	YOY Chg	Outlook
<b>425.7K</b> Madison Employment	▲	▲
<b>2.3%</b> Madison Unemployment Rate	▼	▲
<b>4.2%</b> United States Unemployment Rate	▲	▲

*Source: BLS, Moody's Analytics*

**ECONOMY**

Madison, Wisconsin's State Capitol and home to the University of Wisconsin-Madison, has an economy historically based on government and education. The rapidly growing Dane County region has seen significant growth in biotechnology, information and health technology, agribusiness/food, and precision manufacturing. Metro Madison's unemployment rate decreased by 40 basis points (bps) year-over-year (YOY) to 2.3%, while overall employment in the region rose by 0.2% YOY.

**MARKET OVERVIEW**

The overall vacancy rate in the Madison office market decreased 10 bp YOY to 10.8%, remaining within the 9-11% stabilized range since early 2021. In Q4 2024, the market saw positive absorption for the first time in 2024, recording 11,492 square feet (sf), bringing the year-end (YE) total to -271,399 sf. The Northwest / Middleton submarket had the highest vacancy rate at 16.1%, driven by large vacant spaces, with -177,255 sf negative absorption in 2024.

There were 62 lease transactions totaling 180,139 sf in Q4, bringing the YE total to 627,607 sf, a 23.7% decrease YOY. The decline in new large corporate tenants caused new leasing activity to drop 20.3% YOY. However, Q4 2024 saw a 29.1% increase in new leasing activity from Q3 2024, with smaller space users (2,000 to 5,000 sf) remaining the most active.

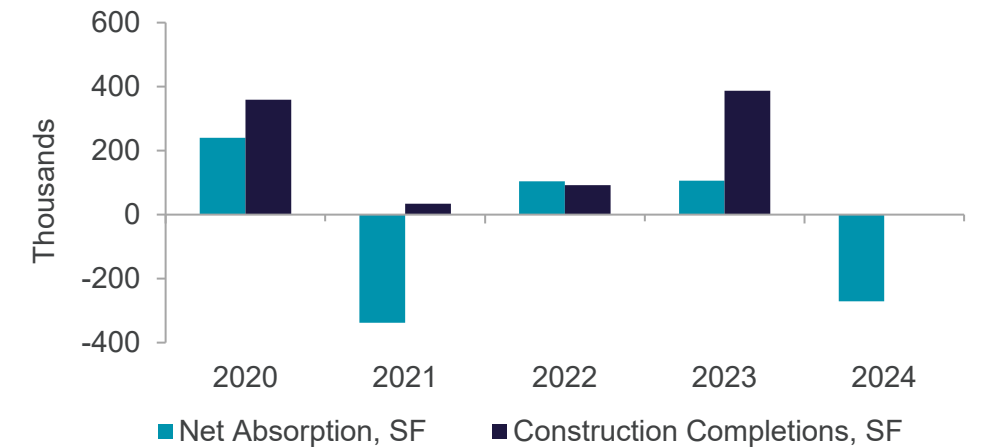
Despite persistent demand for Class A space, downsizing and vacating by large corporate users led to a 270 bps YOY increase in Class A vacancy to 14%. Class A total 2024 absorption was -51,347 sf in the CBD and -116,543 sf in non-CBD submarkets.

The overall market asking rate decreased 1.4% quarter-over-quarter (QOQ) to \$23.65 psf. Asking rental rates increased 1.9% YOY due to inflationary effects on NNN expenses and continued demand for high-quality, Class A space.

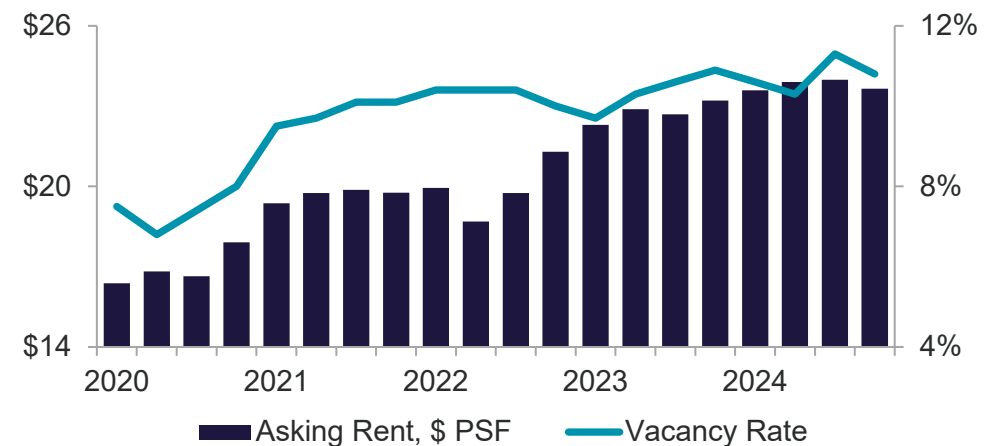
**OUTLOOK**

The Madison office market continues to offer options for large office suites as corporate tenants downsize and relocate. Tenants in the market will continue to have to choose whether they prefer a "return to office" for their employees or continued downsizing. Although larger suites remain vacant, activity is strong for smaller spaces less than 5,000 sf. Larger space activity could increase throughout 2025 as new users seek traditional office space, such as data or call center users looking to lease quality office space in traditional assets.

**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)	YE OVERALL NET ABSORPTION (SF)	YE LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Madison Isthmus / CBD	3,600,164	497,481	378,175	10.5%	-21,452	-85,642	130,342	0	\$25.38	\$26.25
<b>CBD TOTALS</b>	<b>3,600,164</b>	<b>497,481</b>	<b>378,175</b>	<b>10.5%</b>	<b>-21,452</b>	<b>-85,642</b>	<b>130,342</b>	<b>0</b>	<b>\$25.38</b>	<b>\$26.25</b>
Near West Madison	3,538,593	363,483	201,475	5.7%	-1,781	-12,617	62,283	0	\$21.33	\$27.12
Northeast	2,587,123	537,119	287,369	11.1%	32,812	42,624	164,552	0	\$20.91	\$21.88
Northwest / Middleton	4,082,091	1,263,715	656,136	16.1%	23,335	-177,255	169,622	0	\$26.21	\$26.00
South Central	1,396,918	248,469	136,947	9.8%	-7,189	-44,170	41,972	0	\$19.72	\$20.50
Southeast	502,402	78,774	75,085	14.9%	-25,038	986	37,719	0	\$17.48	N/A
Southwest	664,988	74,066	40,812	6.1%	10,805	4,675	21,117	0	\$24.10	\$24.10
<b>NON-CBD TOTALS</b>	<b>12,772,115</b>	<b>2,565,626</b>	<b>1,397,824</b>	<b>10.9%</b>	<b>32,944</b>	<b>-185,757</b>	<b>497,265</b>	<b>0</b>	<b>\$23.11</b>	<b>\$25.44</b>
<b>MADISON TOTALS</b>	<b>16,372,279</b>	<b>3,063,107</b>	<b>1,775,999</b>	<b>10.8%</b>	<b>11,492</b>	<b>-271,399</b>	<b>627,607</b>	<b>0</b>	<b>\$23.65</b>	<b>\$25.69</b>

\*Rental rates reflect full service asking

**KEY LEASE TRANSACTIONS Q4 2024**

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10 Terrace Court, Madison	Northeast	Unnamed	15,780	New
1600 Aspen Commons, Middleton	Northwest / Middleton	NCG Hospitality	12,043	New
4901 Eastpark Boulevard, Madison	Northeast	Regus	11,539	New
2924 Marketplace Drive, Fitchburg	Southeast	Midwest Financial Group	8,123	New
10 E Doty Street, Madison	Madison Isthmus / CBD	Confidential	7,766	Renewal

**KEY SALES TRANSACTIONS Q4 2024**

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
34 Schroeder Court, Madison	Near West Madison	Jason Potrykus / Wisconsin Bank & Trust	54,276	\$5.1M / \$94

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