



COMMERCIAL REAL ESTATE MADISON MARKET REPORT | Q3 2023

Office

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) increased 60 basis points to 3.0% compared to 2.4% in August 2022. The unemployment rate for the US was at 3.8% in August 2023 increasing 10 basis points from last year. State of Wisconsin unemployment was 2.9% for this quarter. Madison MSA saw an increase in job growth and office specific jobs information, financial and professional services increased by 100 jobs during the same period.

Madison Overview

- Madison office market had overall vacancy rate of 12.8% with 27,500 sf positive absorption bringing the YTD to (66,300) sf negative absorption. The vacancy rate for multi-tenant only properties was 13.7% with (38,400) sf negative absorption bringing the YTD to (92,300) sf negative absorption.
- Madison East had the most positive absorption with 76,000 sf led by 50,400 sf property selling for Acadia Healthcare. Madison West posted the largest loss of (99,400) sf negative absorption led by Healthgrades vacating 62,500 sf.
- Madison Southwest market still has the lowest vacancy rate of 6.6% while Madison Southeast market ended Q3 2023 with the highest vacancy rate of 24.6%.
- The Madison office market recorded 41 lease transactions totaling 185,900 sf. Seven properties sold with 105,000 sf for \$14,500,000 this quarter.
- Currently there are 3 properties under construction totaling 136,000 sf in the Madison market.

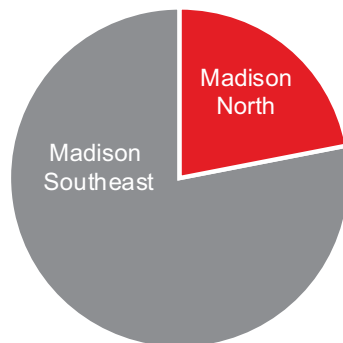


Madison Office Summary

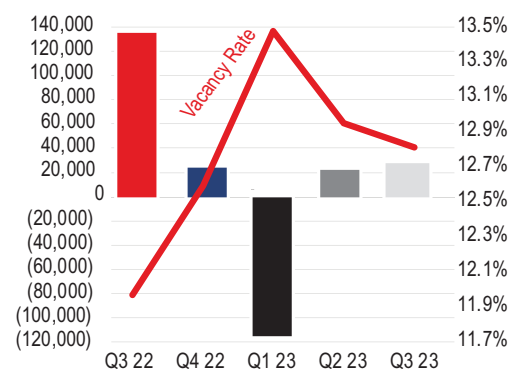
Bldg Class	# of Bldgs	Inventory	Total Avail sf	Total Vacant sf	Total Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
A	58	6,822,623	1,212,823	686,032	(2,521)	(20,265)	10.1%
B	195	7,891,736	1,311,811	1,205,821	54,677	46,856	15.3%
C	139	3,058,240	418,861	385,268	(24,666)	(92,925)	12.6%
Grand Total	392	17,772,599	2,943,495	2,277,121	27,490	(66,334)	12.8%

Office New Developments

MARKET	BLDG SIZE (SF)
Madison North	30,000
Madison Southeast	106,000
Grand Total	136,000



Absorption and Vacancy Rate



NOTE: Net absorption is based on the net change in when a lease is signed or space is vacated from quarter to quarter expressed in square feet. For new construction the new lease will be captured when the construction has been completed.

Madison Office Market Stats

Property Type		# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Madison Central	A	16	2,031,765	236,357	183,179	18,107	(6,308)	9.0%
	B	43	2,351,940	248,352	438,599	(1,459)	(33,103)	18.6%
	C	34	883,409	186,605	184,605	(6,170)	(83,378)	20.9%
	Subtotal	93	5,267,114	671,314	806,383	10,478	(122,789)	15.3%
Madison East	A	2	168,921	27,624	5,593	0	11,786	3.3%
	B	16	681,858	178,568	68,665	74,010	138,531	10.1%
	C	6	133,686	6,553	3,869	2,054	(1,510)	2.9%
	Subtotal	24	984,465	212,745	78,127	76,064	148,807	7.9%
Madison Northwest	A	7	624,167	216,184	142,001	4,808	14,041	22.8%
	B	16	470,047	48,930	82,780	(6,605)	(15,758)	17.6%
	C	14	342,841	35,622	32,552	(2,009)	(319)	9.5%
	Subtotal	37	1,437,055	300,736	257,333	(3,806)	(2,036)	17.9%
Madison Southeast	A	1	112,428			0	0	0.0%
	B	12	529,297	231,329	204,351	67,311	70,885	38.6%
	C	12	251,359	16,209	15,449	0	9,219	6.1%
	Subtotal	25	893,084	247,538	219,800	67,311	80,104	24.6%
Madison Southwhe	A	9	996,556	28,324	38,965	0	17,929	3.9%
	B	54	1,955,995	227,437	142,654	(10,944)	(10,694)	7.3%
	C	52	1,005,129	109,657	90,046	(12,209)	(8,015)	9.0%
	Subtotal	115	3,957,680	365,418	271,665	(23,153)	(780)	6.9%
Madison West	A	23	2,888,786	704,334	316,294	(25,436)	(57,713)	10.9%
	B	54	1,902,599	377,195	268,772	(67,636)	(103,005)	14.1%
	C	21	441,816	64,215	58,747	(6,332)	(8,922)	13.3%
	Subtotal	98	5,233,201	1,145,744	643,813	(99,404)	(169,640)	12.3%
Grand Total		392	17,772,599	2,943,495	2,277,121	27,490	(66,334)	12.8%

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RE Services
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Abstract Commercial
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Industrial

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) increased 60 basis points to 3.0% compared to 2.4% in August 2022. The unemployment rate for the US was at 3.8% in August 2023 increasing 10 basis points from last year. State of Wisconsin unemployment was 2.9% for this quarter. Madison MSA saw an increase in job growth and industrial specific jobs in manufacturing increasing by 500 jobs during the same period.

Madison Overview

- Madison industrial market posted 545,600 sf of positive absorption bringing YTD to 789,400 sf positive absorption and a 1.9% vacancy rate. Multi-tenant only properties had 337,600 sf of positive absorption bringing YTD to 407,000 sf positive absorption and a 4.2% vacancy rate.
- Madison West market saw the most gained with 266,000 sf positive absorption led by Sierra Space leasing 266,000 sf. Madison Central was the only market with negative absorption of 11,500 sf led by O'Mara Moving downsizing 11,500 sf.
- Madison market saw 19 lease transactions totaling over 190,900 sf. Thirteen properties sold totaling 767,600 sf for \$64.9 million.
- Currently there are 13 projects under construction totaling over 1.3 msf while 10 properties were delivered YTD totaling 759,000 sf in the Madison market.

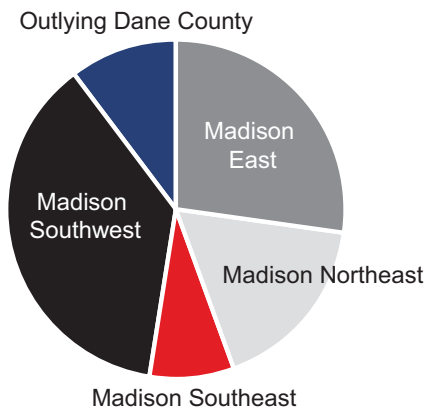


Industrial Summary

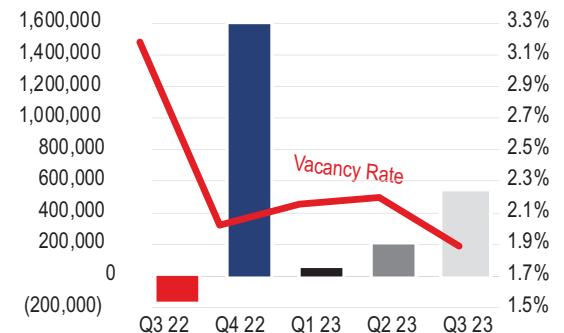
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Flex/R&D	142	5,638,711	244,439	149,394	(21,787)	16,466	2.6%
Manufacturing	240	21,557,792	496,496	314,674	30,450	72,406	1.5%
Warehouse Distribution	103	13,192,176	494,725	184,807	513,316	663,081	1.4%
Warehouse Office	687	19,077,065	579,338	473,675	23,639	37,529	2.5%
Grand Total	1,172	59,465,744	1,814,998	1,122,550	545,618	789,482	1.9%

Industrial New Developments

Absorption and Vacancy Rate



MARKET	BLDG SIZE (SF)
Madison East	359,983
Madison Northeast	223,450
Madison Southeast	105,500
Madison Southwest	486,197
Outlying Dane County	134,000
Grand Total	1,309,130



NOTE: Net absorption is based on the net change in when a lease is signed or space is vacated from quarter to quarter expressed in square feet. For new construction the new lease will be captured when the construction has been completed.

Madison Industrial Market Stats

Property Type		# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Madison Central	Manufacturing	17	1,295,029		35,210	0	0	2.7%
	Warehouse Office	31	1,089,961	85,273	42,577	(11,500)	(7,588)	3.9%
	Subtotal	48	2,384,990	85,273	77,787	(11,500)	(7,588)	3.3%
	Flex/R&D	49	1,368,256	83,932	41,996	(16,326)	(14,526)	3.1%
Madison East	Manufacturing	48	3,398,936	33,900	33,900	0	(23,544)	1.0%
	Warehouse Distribution	15	2,109,721			202,323	202,323	0.0%
	Warehouse Office	145	3,845,599	53,703	93,225	(18,750)	(12,950)	2.4%
	Subtotal	257	10,722,512	171,535	169,121	167,247	151,303	1.6%
Madison Northeast	Flex/R&D	28	960,938	69,762	28,826	6,926	11,099	3.0%
	Manufacturing	51	4,497,794	224,564	245,564	0	65,500	5.5%
	Warehouse Distribution	49	6,570,919	268,191	53,273	45,000	194,765	0.8%
	Warehouse Office	113	3,355,570	211,575	196,925	18,640	37,875	5.9%
Madison Northwest	Subtotal	241	15,385,221	774,092	524,588	70,566	309,239	3.4%
	Flex/R&D	6	217,209	4,033	4,033	0	(4,033)	1.9%
	Manufacturing	15	1,828,980	238,032		0	0	0.0%
	Warehouse Distribution	4	476,188			0	0	0.0%
Madison Southeast	Warehouse Office	33	1,052,501			0	0	0.0%
	Subtotal	58	3,574,878	242,065	4,033	0	(4,033)	0.1%
	Flex/R&D	20	842,304	36,648	31,608	(12,387)	9,857	3.8%
	Manufacturing	40	2,642,582			30,450	30,450	0.0%
Madison Southwest	Warehouse Distribution	13	1,140,707	131,534	131,534	0	0	11.5%
	Warehouse Office	171	4,399,602	105,986	90,016	35,249	5,999	2.0%
	Subtotal	244	9,025,195	274,168	253,158	53,312	46,306	2.8%
	Flex/R&D	27	1,650,119	8,254	7,281	0	21,874	0.4%
Madison West	Manufacturing	22	3,130,262			0	0	0.0%
	Warehouse Distribution	7	801,678	95,000		0	0	0.0%
	Warehouse Office	79	2,283,059	106,546	50,932	0	13,893	2.2%
	Subtotal	135	7,865,118	209,800	58,213	0	35,767	0.7%
Outlying Dane County	Flex/R&D	12	599,885	41,810	35,650	0	(7,805)	5.9%
	Manufacturing	14	1,512,543			0	0	0.0%
	Warehouse Distribution	9	1,394,315			265,993	265,993	0.0%
	Warehouse Office	83	2,333,529	16,255		0	300	0.0%
	Subtotal	118	5,840,272	58,065	35,650	265,993	258,488	0.6%
	Manufacturing	33	3,251,666			0	0	0.0%
	Warehouse Distribution	6	698,648			0	0	0.0%
	Warehouse Office	32	717,244			0	0	0.0%
Subtotal		71	4,667,558			0	0	0.0%
Grand Total		1,172	59,465,744	1,814,998	1,122,550	545,618	789,482	1.9%

Retail

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) increased 60 basis points to 3.0% compared to 2.4% in August 2022. The unemployment rate for the US was at 3.8% in August 2023 increasing 10 basis points from last year. State of Wisconsin unemployment was 2.9% for this quarter. Madison MSA saw an increase in job growth and retail specific jobs of leisure and hospitality increased by 300 jobs during the same period.

Madison Overview

- Madison retail market showed 82,900 sf positive absorption bringing YTD to 83,300 sf positive absorption and a vacancy rate of 6.0% for both multi and single tenant properties. Multi-tenant only properties also recorded 59,700 sf positive absorption bringing YTD to 47,000 positive absorption while ending with a 9.1% vacancy rate this quarter.
- Madison Central market posted the most positive absorption with 43,700 sf led by Pets Supply Plus leasing 16,600 sf. Madison West was the only market with negative absorption of (33,700) sf led by Bed Bath & Beyond vacating 35,300 sf.
- Madison Southeast achieved the lowest rate again at 1.0% vacancy rate while Madison East was the highest with 9.8% vacancy rate.
- The Madison retail market saw 12 lease transactions totaling 75,900 sf. Twenty one properties totaling 220,500 sf sold for \$29 million
- Currently there are 12 projects under construction totaling 181,600 sf. Ten properties have been delivered year to date in Madison totaling 77,500 sf.

Employment

393,390



Area Unemployment

3.0



U.S. Unemployment

3.8



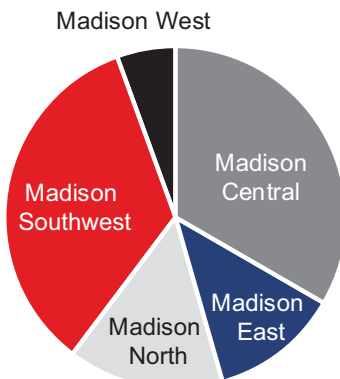
Retail-Using Jobs

38,100

Retail Summary

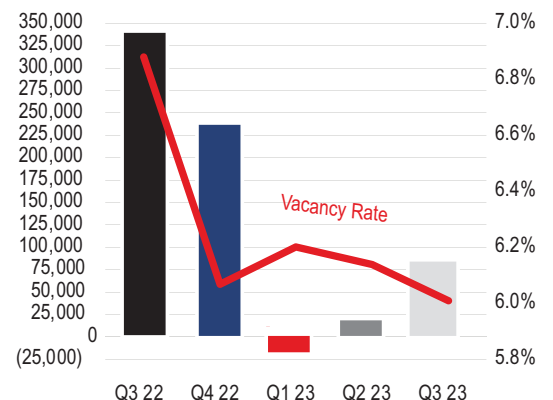
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	6	627,287	86,440	86,440	(35,345)	(18,077)	13.8%
Freestanding/Big Box	232	9,244,004	320,917	187,371	13,906	13,906	2.0%
Mixed Use	129	1,762,259	163,322	162,053	52,374	51,182	9.2%
Neighborhood Center	72	3,464,618	371,170	277,178	27,559	22,375	8.0%
Regional Center	3	1,883,319	337,886	337,886	11,880	(12,969)	17.9%
Restaurant	92	633,862	14,200	9,000	10,269	22,434	1.4%
Strip Center	263	3,390,802	274,997	202,500	2,236	4,519	6.0%
Grand Total	797	21,006,151	1,568,932	1,262,428	82,879	83,370	6.0%

Retail New Developments



MARKET	BLDG SIZE (SF)
Madison Central	60,952
Madison East	21,958
Madison North	26,842
Madison Southwest	61,874
Madison West	10,000
Grand Total	181,626

Absorption and Vacancy Rate



NOTE: Net absorption is based on the net change in when a lease is signed or space is vacated from quarter to quarter expressed in square feet. For new construction the new lease will be captured when the construction has been completed.

Madison Retail Market Stats

Property Type		# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Madison Central	Freestanding/Big Box	19	306,807			16,666	16,666	0.0%
	Mixed Use	60	757,414	94,194	99,441	17,739	9,034	13.1%
	Neighborhood Center	4	250,675	26,523	18,435	13,558	49,758	7.4%
	Restaurant	15	114,386			0	0	0.0%
	Strip Center	20	259,918	10,806	9,120	(4,267)	(3,267)	3.5%
	Subtotal	118	1,689,200	131,523	126,996	43,696	72,191	7.5%
Madison East	Community Center	2	168,796	28,903	28,903	0	0	17.1%
	Freestanding/Big Box	50	2,492,369	181,515	181,515	(2,760)	(2,760)	7.3%
	Mixed Use	10	159,772	8,593	8,593	2,394	2,394	5.4%
	Neighborhood Center	15	715,008	29,968	58,945	2	(22,782)	8.2%
	Regional Center	1	787,809	196,311	196,311	0	5,368	24.9%
	Restaurant	15	111,912			0	0	0.0%
Madison North	Strip Center	50	735,040	47,359	30,857	641	7,377	4.2%
	Subtotal	143	5,170,706	492,649	505,124	277	(10,403)	9.8%
Madison Southeast	Freestanding/Big Box	44	1,988,874	29,295		0	0	0.0%
	Mixed Use	14	161,982	7,496	11,792	1,376	3,016	7.3%
	Neighborhood Center	10	505,255	29,131	29,131	6,451	6,490	5.8%
	Restaurant	9	52,440	5,200		0	4,365	0.0%
	Strip Center	44	502,934	28,697	26,860	2,675	13,193	5.3%
	Subtotal	121	3,211,485	99,819	67,783	10,502	27,064	2.1%
Madison Southwest	Freestanding/Big Box	12	416,768			0	0	0.0%
	Mixed Use	7	234,959	10,649	8,186	28,536	25,243	3.5%
	Neighborhood Center	2	76,671			0	0	0.0%
	Restaurant	4	29,921			0	0	0.0%
	Strip Center	5	72,411			0	0	0.0%
	Subtotal	30	830,730	10,649	8,186	28,536	25,243	1.0%
Madison West	Community Center	1	135,107			0	0	0.0%
	Freestanding/Big Box	57	2,138,654	110,107	5,856	0	0	0.3%
	Mixed Use	16	169,135	18,740	18,740	0	4,530	11.1%
	Neighborhood Center	25	1,123,595	120,990	111,265	8,086	(8,865)	9.9%
	Regional Center	1	411,508	82,657	82,657	11,880	(18,337)	20.1%
	Restaurant	21	131,188			10,269	10,269	0.0%
Outlying Dane County	Strip Center	79	1,017,399	75,226	47,311	3,390	(914)	4.7%
	Subtotal	200	5,126,586	407,720	265,829	33,625	(13,317)	5.2%
Outlying Dane County	Community Center	3	323,384	57,537	57,537	(35,345)	(18,077)	17.8%
	Freestanding/Big Box	35	1,463,666			0	0	0.0%
	Mixed Use	15	207,567	21,230	12,881	2,329	6,965	6.2%
	Neighborhood Center	14	662,217	122,183	59,402	(538)	(2,226)	9.0%
	Regional Center	1	684,002	58,918	58,918	0	0	8.6%
	Restaurant	17	129,817	9,000	9,000	0	7,800	6.9%
Outlying Dane County	Strip Center	47	568,962	106,584	82,027	(203)	(10,325)	14.4%
	Subtotal	132	4,039,615	375,452	279,765	(33,757)	(15,863)	6.9%
Outlying Dane County	Freestanding/Big Box	15	436,866			0	0	0.0%
	Mixed Use	7	71,430	2,420	2,420	0	0	3.4%
	Neighborhood Center	2	131,197	42,375		0	0	0.0%
	Restaurant	11	64,198			0	0	0.0%
	Strip Center	18	234,138	6,325	6,325	0	(1,545)	2.7%
	Subtotal	53	937,829	51,120	8,745	0	(1,545)	0.9%
Grand Total		797	21,006,151	1,568,932	1,262,428	82,879	83,370	6.0%