

COMMERCIAL
REAL ESTATE
MARKET REPORT

Q4 2023
MADISON



MOODY'S
ANALYTICS | Catylist

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COMMERCIAL REAL ESTATE MADISON MARKET REPORT | Q4 2023

Office

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) increased 20 basis points to 2.1% compared to 1.9% in November 2022. The unemployment rate for the US was at 3.7% in November 2023 increasing 10 basis points from last year. State of Wisconsin unemployment was 3.3% for this quarter. Madison MSA saw an increase in job growth and office specific jobs information, financial and professional services increased by 3,700 jobs during the same period.

Madison Overview

- Madison office market had overall vacancy rate of 13.1% with (14,400) sf negative absorption bringing the YTD to (82,000) sf negative absorption. The vacancy rate for multi-tenant only properties was 14.0% with (14,400) sf negative absorption bringing the YTD to (108,000) sf negative absorption.
- Madison Southeast had the most positive absorption with 23,500 sf led by WI Development leasing 12,638 sf in a new delivery. Madison East posted the largest loss of (27,100) sf negative absorption led by BB7 vacating 25,100 sf.
- Madison Southwest market still has the lowest vacancy rate of 6.9% while Madison Southeast market ended Q4 2023 with the highest vacancy rate of 25.9%.
- The Madison office market recorded 44 lease transactions totaling 190,700 sf. Six properties sold with 238,800 sf for \$32,790,000 this quarter.

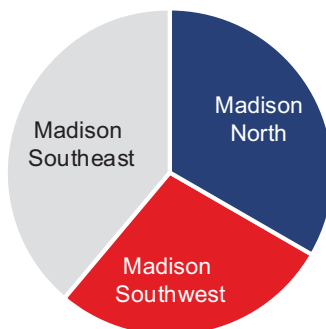


Madison Office Summary

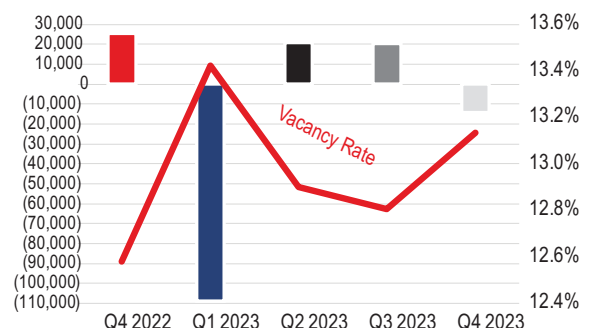
Bldg Class	# of Bldgs	Inventory	Total Avail sf	Total Vacant sf	Total Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
A	58	6,822,623	1,114,934	708,034	(24,656)	(43,767)	10.4%
B	196	7,938,872	1,346,907	1,254,345	12,261	52,463	15.8%
C	140	3,078,709	402,226	381,054	(2,003)	(90,644)	12.4%
Grand Total	394	17,840,204	2,864,067	2,343,433	(14,398)	(81,948)	13.1%

Office New Developments

MARKET	BLDG SIZE (SF)
Madison North	30,000
Madison Southeast	25,000
Madison Southwest	35,000
Grand Total	90,000



Absorption and Vacancy Rate



NOTE: Net absorption is based on occupancy and the net change in when a new lease is occupied 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	241,023	194,790	(11,611)	(17,919)	9.6%
	B	43	2,351,940	240,872	427,317	12,782	(20,321)	18.2%
	C	34	883,409	179,746	178,182	6,423	(76,955)	20.2%
	Subtotal	93	5,267,114	661,641	800,289	7,594	(115,195)	15.2%
Madison East	A	2	168,921	24,147	12,081	(6,488)	5,298	7.2%
	B	15	631,458	178,454	90,257	(19,834)	116,939	14.3%
	C	6	133,686	6,509	4,719	(850)	(2,360)	3.5%
	Subtotal	23	934,065	209,110	107,057	(27,172)	119,877	11.5%
Madison Northwest	A	7	624,167	217,236	140,847	0	15,195	22.6%
	B	16	470,047	58,917	97,925	(8,265)	(30,903)	20.8%
	C	14	342,841	43,307	36,489	(3,937)	(4,256)	10.6%
	Subtotal	37	1,437,055	319,460	275,261	(12,202)	(19,964)	19.2%
Madison Southeast	A	1	112,428			0	0	0.0%
	B	13	595,828	244,163	232,312	24,670	95,555	39.0%
	C	12	251,359	16,655	16,655	(1,206)	8,013	6.6%
	Subtotal	26	959,615	260,818	248,967	23,464	103,568	25.9%
Madison Southwe	A	9	996,556	81,717	46,891	(9,426)	8,503	4.7%
	B	56	1,997,000	209,124	141,836	818	(9,876)	7.1%
	C	53	1,025,598	99,518	88,118	(4,289)	(8,020)	8.6%
	Subtotal	118	4,019,154	390,359	276,845	(12,897)	(9,393)	6.9%
Madison West	A	23	2,888,786	550,811	313,425	2,869	(54,844)	10.8%
	B	53	1,892,599	415,377	264,698	2,090	(98,931)	14.0%
	C	21	441,816	56,491	56,891	1,856	(7,066)	12.9%
	Subtotal	97	5,223,201	1,022,679	635,014	6,815	(160,841)	12.2%
Grand Total		394	17,840,204	2,864,067	2,343,433	(14,398)	(81,948)	13.1%

Madison Advisory Board

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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 20 basis points to 2.1% compared to 1.9% in November 2022. The unemployment rate for the US was at 3.7% in November 2023 increasing 10 basis points from last year. State of Wisconsin unemployment was 3.3% for this quarter. Madison MSA saw an increase in job growth and industrial specific jobs in manufacturing increasing by 600 jobs during the same period.

Madison Overview

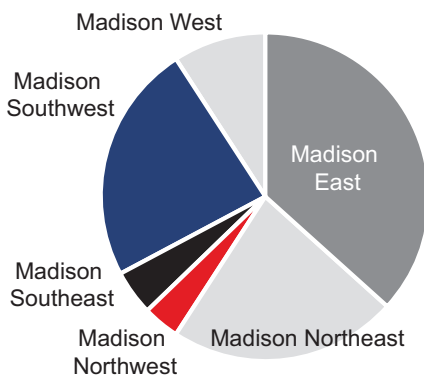
- Madison industrial market posted 586,800 sf of positive absorption bringing YTD to 1.4 msf positive absorption and a 2.3% vacancy rate. Multi-tenant only properties had 113,000 sf of positive absorption bringing YTD to 532,600 sf positive absorption and a 6.6% vacancy rate.
- Outlying Dane County market saw the most gained with 150,500 sf positive absorption led by new delivery for Emmi Roth with 158,000 sf. Madison West was the only market with negative absorption of 5,100 sf led by CSM vacating 3,000 sf.
- Madison market saw 31 lease transactions totaling over 782,800 sf. Fourteen properties sold totaling 689,400 sf for \$49.9 million.
- Currently there are 12 projects under construction totaling over 919,400 sf while 18 properties were delivered YTD totaling 1.4 msf in the Madison market.



Industrial Summary

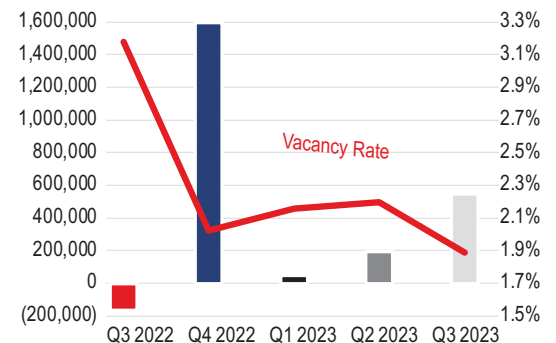
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Flex/R&D	147	6,119,286	248,854	230,320	292,687	309,153	3.8%
Manufacturing	241	21,668,916	470,986	253,954	60,720	133,126	1.2%
Warehouse Distribution	107	13,774,652	438,285	490,987	218,950	882,031	3.6%
Warehouse Office	687	19,021,865	476,319	440,400	14,525	70,804	2.3%
Grand Total	1,182	60,584,719	1,634,444	1,415,661	586,882	1,445,063	2.3%

Industrial New Developments



MARKET	BLDG SIZE (SF)
Madison East	337,483
Madison Northeast	207,119
Madison Northwest	34,500
Madison Southeast	39,800
Madison Southwest	218,800
Madison West	81,764
Grand Total	919,466

Absorption and Vacancy Rate



NOTE: Net absorption is based on occupancy and the net change in when a new lease is occupied 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	35,210	0.0%
	Warehouse Office	31	1,089,961	85,273	42,577	0	(7,588)	3.9%
	Subtotal	48	2,384,990	85,273	42,577	35,210	27,622	1.8%
	Flex/R&D	50	1,390,756	112,697	56,496	8,000	(6,526)	4.1%
Madison East	Manufacturing	48	3,398,936	34,178	34,178	(278)	(23,822)	1.0%
	Warehouse Distribution	15	2,109,721			0	202,323	0.0%
	Warehouse Office	145	3,845,599	30,575	47,675	26,800	32,600	1.2%
	Subtotal	258	10,745,012	177,450	138,349	34,522	204,575	1.3%
Madison Northeast	Flex/R&D	28	960,938	45,766	42,143	(12,067)	(968)	4.4%
	Manufacturing	51	4,497,794	179,526	200,526	45,038	110,538	4.5%
	Warehouse Distribution	50	6,628,716	238,191	59,153	60,950	255,715	0.9%
	Warehouse Office	114	3,405,519	80,850	178,776	18,149	56,024	5.2%
	Subtotal	243	15,492,967	544,333	480,598	112,070	421,309	3.1%
Madison Northwest	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%
	Warehouse Office	33	1,052,501			0	0	0.0%
	Subtotal	58	3,574,878	242,065	4,033	0	(4,033)	0.1%
Madison Southeast	Flex/R&D	21	935,304	9,233	9,233	115,375	125,232	1.0%
	Manufacturing	40	2,642,582	19,250	19,250	(19,250)	11,200	0.7%
	Warehouse Distribution	13	1,140,707	105,094	131,534	0	0	11.5%
	Warehouse Office	171	4,405,577	112,816	76,816	13,200	19,199	1.7%
	Subtotal	245	9,124,170	246,393	236,833	109,325	155,631	2.6%
Madison Southwest	Flex/R&D	29	1,921,958	18,745	82,765	181,379	203,253	4.3%
	Manufacturing	23	3,241,386			0	0	0.0%
	Warehouse Distribution	7	801,678	95,000		0	0	0.0%
	Warehouse Office	78	2,171,935	140,926	81,932	(31,000)	(17,107)	3.8%
	Subtotal	137	8,136,957	254,671	164,697	150,379	186,146	2.0%
Madison West	Flex/R&D	13	693,121	58,380	35,650	0	(7,805)	5.1%
	Manufacturing	14	1,512,543			0	0	0.0%
	Warehouse Distribution	10	1,459,315			0	265,993	0.0%
	Warehouse Office	83	2,333,529	18,379	5,124	(5,124)	(4,824)	0.2%
	Subtotal	120	5,998,508	76,759	40,774	(5,124)	253,364	0.7%
Outlying Dane County	Manufacturing	33	3,251,666			0	0	0.0%
	Warehouse Distribution	8	1,158,327		300,300	158,000	158,000	25.9%
	Warehouse Office	32	717,244	7,500	7,500	(7,500)	(7,500)	1.0%
	Subtotal	73	5,127,237	7,500	307,800	150,500	150,500	6.0%
	Grand Total	1,182	60,584,719	1,634,444	1,415,661	586,882	1,445,063	2.3%

Retail

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) increased 20 basis points to 2.1% compared to 1.9% in November 2022. The unemployment rate for the US was at 3.7% in November 2023 increasing 10 basis points from last year. State of Wisconsin unemployment was 3.3% for this quarter. Madison MSA saw an increase in job growth but retail specific jobs of leisure and hospitality decreased by 1,700 jobs during the same period.

Madison Overview

- Madison retail market showed 128,200 sf positive absorption bringing YTD to 214,300 sf positive absorption and a vacancy rate of 5.9% for both multi and single tenant properties. Multi-tenant only properties also recorded 82,800 sf positive absorption bringing YTD to 132,500 positive absorption while ending with a 8.8% vacancy rate this quarter.
- Madison East market posted the most positive absorption with 53,300 sf led by Thrill Factory leasing 48,000 sf. Madison Central posted the most negative absorption of (10,700) sf led by MNM Deli vacating 6,300 sf.
- For Madison primary markets Madison North achieved the lowest rate at 2.2% vacancy rate while Madison East was the highest with 9.0% vacancy rate.
- The Madison retail market saw 25 lease transactions totaling 113,000 sf. Twenty two properties totaling 140,500 sf sold for \$30 million.
- Currently there are 8 projects under construction totaling 99,000 sf. Seventeen properties have been delivered this year in Madison totaling 185,300 sf.

Employment

402,989



Area Unemployment

2.1



U.S. Unemployment

3.7



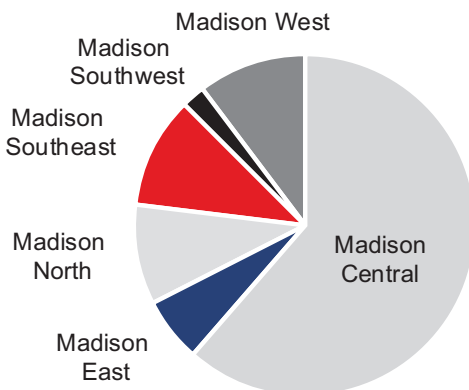
Retail-Using Jobs

33,300

Retail Summary

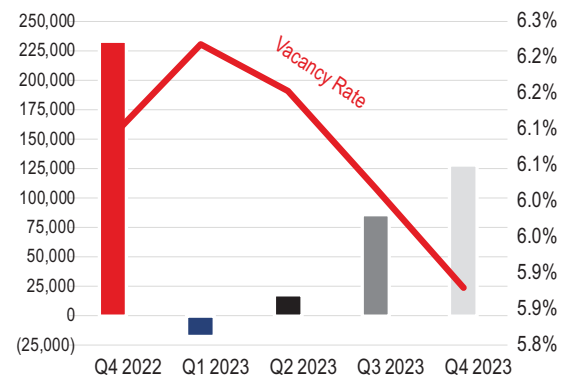
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	6	627,287	86,440	86,440	0	(18,077)	13.8%
Freestanding/Big Box	233	9,294,004	210,138	218,140	19,231	33,137	2.3%
Mixed Use	131	1,786,746	161,476	195,011	(12,384)	35,798	10.9%
Neighborhood Center	72	3,464,618	280,476	235,109	42,069	64,444	6.8%
Regional Center	3	1,883,319	281,933	281,933	58,236	42,984	15.0%
Restaurant	93	638,862	14,200	9,000	5,000	27,434	1.4%
Strip Center	268	3,439,797	276,455	217,181	16,136	28,613	6.3%
Grand Total	806	21,134,633	1,311,118	1,242,814	128,288	214,333	5.9%

Retail New Developments



MARKET	BLDG SIZE (SF)
Madison Central	60,952
Madison East	6,000
Madison North	9,300
Madison Southeast	10,629
Madison Southwest	2,200
Madison West	10,000
Grand Total	99,081

Absorption and Vacancy Rate



NOTE: Net absorption is based on occupancy and the net change in when a new lease is occupied 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			0	16,666	0.0%
	Mixed Use	60	757,414	81,352	107,871	(3,930)	2,104	14.2%
	Neighborhood Center	4	250,675	26,523	26,523	(8,088)	41,670	10.6%
	Restaurant	15	114,386			0	0	0.0%
	Strip Center	20	259,918	7,824	7,824	1,296	(1,971)	3.0%
	Subtotal	118	1,689,200	115,699	142,218	(10,722)	58,469	8.4%
Madison East	Community Center	2	168,796	28,903	28,903	0	0	17.1%
	Freestanding/Big Box	50	2,492,369	141,515	181,515	0	(2,760)	7.3%
	Mixed Use	10	159,772	8,593	8,593	0	2,394	5.4%
	Neighborhood Center	15	715,008	29,968	54,898	4,047	(18,735)	7.7%
	Regional Center	1	787,809	148,664	148,664	49,930	53,015	18.9%
	Restaurant	15	111,912			0	0	0.0%
	Strip Center	51	750,916	60,460	41,660	(651)	7,834	5.5%
	Subtotal	144	5,186,582	418,103	464,233	53,326	41,748	9.0%
Madison North	Freestanding/Big Box	44	1,988,874			0	0	0.0%
	Mixed Use	14	161,982	17,977	14,285	(2,493)	523	8.8%
	Neighborhood Center	10	505,255	28,923	28,923	208	6,698	5.7%
	Restaurant	10	57,440	5,200		5,000	9,365	0.0%
	Strip Center	45	513,187	34,788	26,346	3,917	23,960	5.1%
	Subtotal	123	3,226,738	86,888	69,554	6,632	40,546	2.2%
Madison Southeast	Freestanding/Big Box	12	416,768			0	0	0.0%
	Mixed Use	8	247,392	8,038	20,787	(168)	25,075	8.4%
	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	31	843,163	8,038	20,787	(168)	25,075	2.5%
Madison Southwest	Community Center	1	135,107			0	0	0.0%
	Freestanding/Big Box	58	2,188,654	68,623	36,625	19,231	19,231	1.7%
	Mixed Use	17	181,189	16,073	22,381	0	4,530	12.4%
	Neighborhood Center	25	1,123,595	101,666	89,556	21,709	12,844	8.0%
	Regional Center	1	411,508	89,962	89,962	(7,305)	(25,642)	21.9%
	Restaurant	21	131,188			0	10,269	0.0%
	Strip Center	81	1,034,711	82,764	58,449	2,494	1,580	5.6%
	Subtotal	204	5,205,952	359,088	296,973	36,129	22,812	5.7%
Madison West	Community Center	3	323,384	57,537	57,537	0	(18,077)	17.8%
	Freestanding/Big Box	35	1,463,666			0	0	0.0%
	Mixed Use	15	207,567	27,023	18,674	(5,793)	1,172	9.0%
	Neighborhood Center	14	662,217	50,075	35,209	24,193	21,967	5.3%
	Regional Center	1	684,002	43,307	43,307	15,611	15,611	6.3%
	Restaurant	17	129,817	9,000	9,000	0	7,800	6.9%
	Strip Center	48	574,516	76,437	80,095	5,562	(4,763)	13.9%
	Subtotal	133	4,045,169	263,379	243,822	39,573	23,710	6.0%
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	43,321		0	0	0.0%
	Restaurant	11	64,198			0	0	0.0%
	Strip Center	18	234,138	14,182	2,807	3,518	1,973	1.2%
	Subtotal	53	937,829	59,923	5,227	3,518	1,973	0.6%
Grand Total		806	21,134,633	1,311,118	1,242,814	128,288	214,333	5.9%