

MARKET TRENDS

Q4 2018 | Madison | Industrial

Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	384,700	
Area Unemployment	2.1	
U.S. Unemployment	3.8	
Manufacturing Jobs	35,500	

Source: BLS

*Employment figures and area unemployment are based on Madison MSA data.

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) decreased 10 basis points from 2.2% in October 2017 to 2.1% in October 2018. The unemployment rate for the US was at 3.8% in October 2018, up from 3.0% for the state of Wisconsin. While the Madison MSA saw little to no change in job growth, manufacturing jobs grew by over 900 during the same period.

Market Overview

The Madison Industrial market, consisting of 54 msf of space throughout Dane County, posted an availability rate of 3.7% for Q4 2018. The vacancy rate for the market stands at 2.5% to close out 2018. The average asking lease rate for the Madison metro came in at \$6.11 psf NNN.

Market Recap

Total Inventory (sf)	54,792,865
Total # of Bldgs	1,141
Availability	3.7%
Vacancy	2.5%
Asking Rate (NNN)	\$6.11

Market Highlights

At the close of Q4 2018, the market saw over 230,000 sf of leasing activity, with the largest transaction taking place at 3225 Deming Way in Middleton, for 82,090 sf. The next largest transaction recorded during the quarter took place at 6105 Pepsi Way in Burke for 37,000 sf, leased by Diesel Forward. In addition, Kerr Orasoptic will be moving from 3225 Deming Way to St. John Properties new Hoepker Corporate Center during Q1 2019, taking 31,908 sf. Though we saw a few deals over 30,000 sf this quarter, 75% of the leases this quarter were under 10,000 sf. Of the leases transacted this quarter, the number of lease deals were evenly dispersed between the east and west sides of Madison.

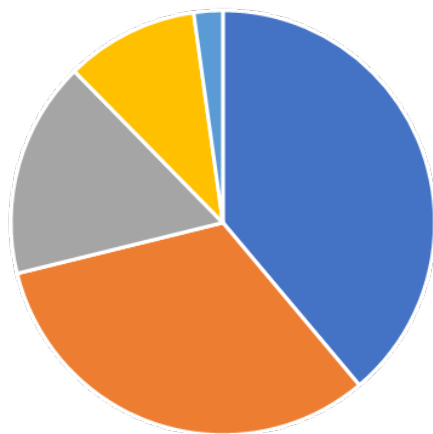
Market Statistics by County

County	Property Type	Inventory (sf)	# of Bldgs	Availability (%)	Vacancy (%)	Asking Lease Rate NNN (\$)
Madison Central	Flex/R&D	26,706	1	0.0	0.0	-
	Manufacturing	988,115	15	0.0	0.0	-
	Warehouse/Office	1,672,170	37	17.1	17.1	5.48
	SUBTOTAL	2,686,991	53	10.6	10.6	5.48
Madison East	Flex/R&D	66,642	3	0.0	0.0	-
	Manufacturing	3,230,768	45	6.9	4.8	5.73
	Warehouse/Distribution	1,449,836	15	0.0	0.0	-
	Warehouse/Office	5,785,650	192	7.9	4.7	6.07
	SUBTOTAL	10,532,896	255	6.4	4.0	6.02
Madison Northeast	Manufacturing	4,165,602	50	0.5	0.5	2.98
	Warehouse/Distribution	5,162,692	45	3.0	1.2	6.50
	Warehouse/Office	3,932,256	120	9.7	7.8	5.60
	SUBTOTAL	13,260,550	215	4.2	3.0	5.50
Madison Northwest	Flex/R&D	80,957	2	40.3	40.3	-
	Manufacturing	1,822,308	13	1.2	1.3	-
	Warehouse/Distribution	292,183	2	0.0	0.0	-
	Warehouse/Office	1,215,539	46	1.0	1.0	-
	SUBTOTAL	3,410,987	63	2.0	2.0	-
Madison Southeast	Flex/R&D	37,024	2	0.0	0.0	-
	Manufacturing	2,559,588	39	2.0	2.0	4.75
	Warehouse/Distribution	524,134	16	2.4	2.4	5.50
	Warehouse/Office	5,052,343	185	1.8	0.9	6.74
	SUBTOTAL	8,173,089	242	1.9	1.3	6.51
Madison Southwest	Flex/R&D	133,782	2	0.0	0.0	-
	Manufacturing	3,139,034	22	0.0	0.0	-
	Warehouse/Distribution	1,019,482	12	9.9	3.9	4.75
	Warehouse/Office	2,178,048	88	5.0	2.5	8.00
	SUBTOTAL	6,470,346	124	3.2	1.5	6.38
Madison West	Flex/R&D	107,072	1	0.0	0.0	-
	Manufacturing	1,506,332	14	0.0	0.0	-
	Warehouse/Distribution	990,962	9	0.0	0.0	-
	Warehouse/Office	3,087,994	93	1.8	0.0	6.58
	SUBTOTAL	5,692,360	117	1.0	0.0	6.58
Outlying Dane County	Flex/R&D	21,885	1	0.0	0.0	-
	Manufacturing	2,908,752	32	0.4	0.4	5.50
	Warehouse/Distribution	503,118	5	0.0	0.0	-
	Warehouse/Office	1,131,891	34	0.0	0.0	-
	SUBTOTAL	4,565,646	72	0.3	0.3	5.50
OVERALL MARKET	GRAND TOTAL	54,792,865	1,141	3.7	2.5	6.11

Leasing Activity

Property Name	Tenant	Occupancy	Submarket	Leased sf
3225 Deming Way	Confidential Tenant	Q4 2018	Madison West	82,090
6105-6111 Pepsi Way	Diesel Forward	Q4 2018	Madison Northeast	37,000
Hoepker Corporate Center Bldg A	Kerr Orasoptic	Q1 2019	Madison Northeast	31,908
McAllen 120 Business Park (Building 3)	DHL	Q4 2018	Madison East	14,250
McAllen 120 Business Park (Building 3)	Aramark	Q4 2018	Madison East	9,172

Total Leased Space by Submarket



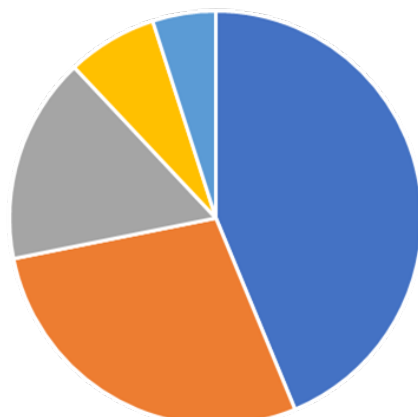
- Madison West
- Madison Northeast
- Madison East
- Madison Northwest
- Outlying Dane County

Submarket	Leased sf
Madison West	89,835
Madison Northeast	74,608
Madison East	38,115
Madison Northwest	23,460
Outlying Dane County	5,100

Sales Activity

Property Name	Buyer	Seller	Submarket	Sale Price (\$)
350 Braun Road	Store Capital Acquisitions, LLC	Trachte Associates, LLP	Outlying Dane County	4,197,600
4388 Daentl Road	BUI Properties, LLC	Shamrock Properties, LLC	Madison Northeast	4,065,064
450 Progress Way	Imperial Blades, LLC	Zieike and Palmer, LLC	Madison Northwest	1,280,000
5900 Haase Road	Barnes Landscaping	Vera I. Daniels	Madison Northeast	1,225,000
150 Communications Dr	AFL-CIO Sheet Metal Workers Union	BMO Financial Corp.	Madison Northeast	735,000

Total Space Sold by Submarket



- Madison Northeast
- Outlying Dane County
- Madison Northwest
- Madison Southwest
- Madison Southeast

Submarket	Sale sf
Madison Northeast	111,346
Outlying Dane County	71,601
Madison Northwest	41,009
Madison Southwest	18,000
Madison Southeast	12,625

Methodology

The Madison market consists of all industrial buildings 10,000 sf or larger in Dane County. Property types included in the tracked set consist of Flex/R&D, Manufacturing, Warehouse/Office and Warehouse/Distribution. The tracked set does not include self-storage facilities and non-conforming property types such as grain elevators or fuel storage facilities. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on a NNN basis.

Terminology

Direct Vacant (sf)	The total vacant square footage in a building marketed by an agent representing the landlord
Inventory	The total square footage (sf) of all tracked single and multi-tenant industrial buildings 10,000 sf or larger
Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in square feet
Property Type	The classification of a property based on the specific use
Sublease (sf)	Space available for lease by a tenant for part or all of a leased premises, with the original tenant retaining some right or interest under the original lease. Space is only considered vacant if unoccupied
Total Available (sf)	Total of all space within a building marketed for lease, which can be occupied or vacant, direct or sublease
Total Vacant (sf)	Total of all unoccupied space within a building marketed for lease, which can be direct or sublease
Average Asking Rate	The average asking lease rate expressed as a per square foot value in NNN terms

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