

# MARKET TRENDS

Q4 2018 | Madison | Office

## Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	384,700	
Area Unemployment	2.1	
U.S. Unemployment	3.8	
Office Using Jobs	93,000	

Source: BLS

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

## Market Recap

Total Inventory (sf)	15,822,060
Total # of Bldgs	340
Availability	13.3%
Vacancy	10.2%
Asking Rate (FSG)	\$19.80

## 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, office using jobs decreased by over 100 during the same period.

## Market Overview

The Madison office market, consisting of 15 msf of space of multi-tenant office properties, posted an availability rate of 13.3% for Q4 2018. The vacancy rate for the market stands at 10.2% during the same period. The average asking lease rate for all tracked properties came in at \$19.80 psf FSG, with a Class A asking rate of \$25.52 psf FSG to close out 2018.

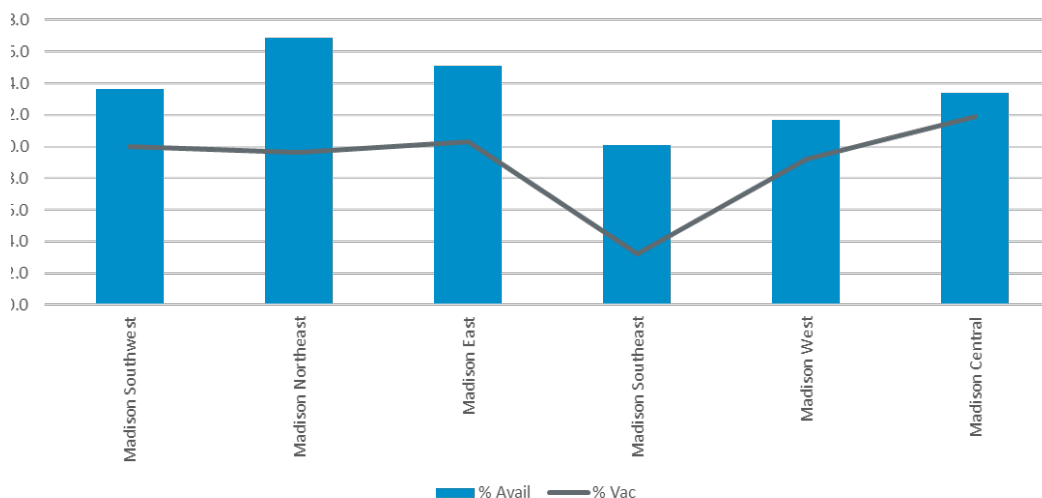
## Market Highlights

Leasing activity was strong during Q4 2018, with just over 210,000 sf signed in the Madison market. Of the 46 transactions over 1,000 sf, 80% were under 5,000 sf. The largest single lease was at 5301 Buttonwood Drive in the Madison Northeast submarket, to FEMA for 30,000 sf. Another significant lease transaction took place at 2418 Crossroads Dr in the Madison East submarket, to Urus LP for 8,573 sf. Though most of the larger leases took place in eastern submarkets, the largest percentage by square footage of leases signed took place in the Madison West Submarket, at 30%. In total, 18 transactions over 1,000 sf took place.

# Market Statistics by Submarket

Submarket	Property Class	Inventory (sf)	Available sf	Availability (%)	Vacant sf	Vacancy (%)	Asking Lease Rate FSG (\$)
Madison Central	Class A	2,462,454	150,527	6.1	140,860	5.7	28.95
	Class B	2,060,690	389,873	18.9	351,873	17.1	25.13
	Class C	721,286	161,949	22.5	131,605	18.2	17.10
	<b>SUBTOTAL</b>	<b>5,244,430</b>	<b>702,349</b>	<b>13.4</b>	<b>624,338</b>	<b>11.9</b>	<b>23.82</b>
Madison East	Class A	345,889	41,406	12.0	40,155	11.6	25.25
	Class B	551,176	100,056	18.2	54,474	9.9	18.83
	Class C	76,423	5,535	7.2	5,535	7.2	12.00
	<b>SUBTOTAL</b>	<b>973,488</b>	<b>146,997</b>	<b>15.1</b>	<b>100,164</b>	<b>10.3</b>	<b>20.09</b>
Madison Northeast	Class A	585,224	69,872	11.9	54,918	9.4	21.43
	Class B	520,427	97,249	18.7	24,183	4.6	18.65
	Class C	183,741	50,370	27.4	44,865	24.4	12.83
	<b>SUBTOTAL</b>	<b>1,289,392</b>	<b>217,491</b>	<b>16.9</b>	<b>123,966</b>	<b>9.6</b>	<b>17.15</b>
Madison West	Class A	2,079,410	204,107	9.8	182,437	8.8	25.29
	Class B	1,902,888	274,999	14.5	194,967	10.2	18.69
	Class C	161,108	4,667	2.9	4,667	2.9	17.00
	<b>SUBTOTAL</b>	<b>4,143,406</b>	<b>483,773</b>	<b>11.7</b>	<b>382,071</b>	<b>9.2</b>	<b>20.04</b>
Madison Southeast	Class A	137,626	30,000	21.8	0	0.0	22.25
	Class B	325,631	19,442	6.0	14,442	4.4	15.75
	Class C	64,192	3,834	6.0	2,447	3.8	13.25
	<b>SUBTOTAL</b>	<b>527,449</b>	<b>53,276</b>	<b>10.1</b>	<b>16,889</b>	<b>3.2</b>	<b>16.05</b>
Madison Southwest	Class A	1,520,152	140,123	9.2	130,769	8.6	24.47
	Class B	1,642,474	301,521	18.4	190,590	11.6	17.16
	Class C	481,269	55,463	11.5	44,009	9.1	14.69
	<b>SUBTOTAL</b>	<b>3,643,895</b>	<b>497,107</b>	<b>13.6</b>	<b>365,368</b>	<b>10.0</b>	<b>17.96</b>
<b>GRAND TOTAL</b>	<b>Class A</b>	<b>7,198,849</b>	<b>636,035</b>	<b>8.8</b>	<b>549,139</b>	<b>7.6</b>	<b>25.52</b>
	<b>Class B</b>	<b>6,718,286</b>	<b>978,140</b>	<b>14.6</b>	<b>558,129</b>	<b>8.3</b>	<b>19.09</b>
	<b>Class C</b>	<b>1,688,019</b>	<b>281,818</b>	<b>16.7</b>	<b>233,128</b>	<b>13.8</b>	<b>15.09</b>
	<b>SUBTOTAL</b>	<b>15,822,060</b>	<b>2,100,993</b>	<b>13.3</b>	<b>1,612,796</b>	<b>10.2</b>	<b>19.80</b>

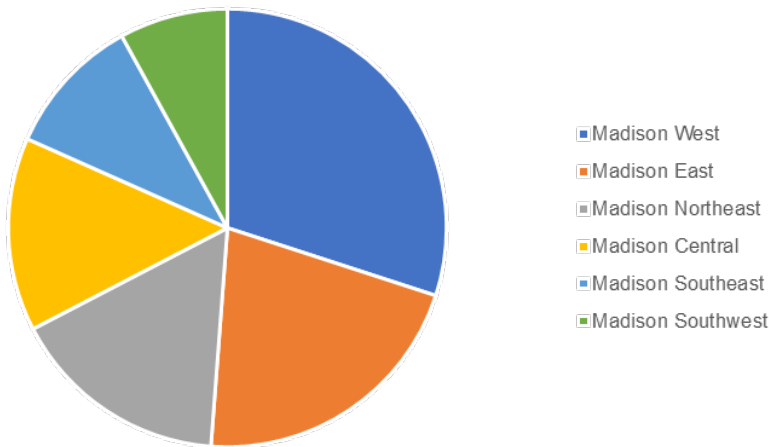
Availability and Vacancy by Submarket



# Leasing Activity

Property Name	Tenant	Occupancy	Submarket	Leased sf
2323 Crossroads Dr	Multiple Tenants	Q2 2019	Madison East	30,900
5301-5305 Buttonwood Dr	FEMA	Q4 2018	Madison Northeast	30,000
The Constellation	Google	Q4 2019	Madison Central	17,589
2418 Crossroads Dr	Urus LP	Q1 2019	Madison East	8,573
1242 Fourier Dr	UW Credit Union	Q4 2018	Madison West	8,382

Total Space Leased by Submarket

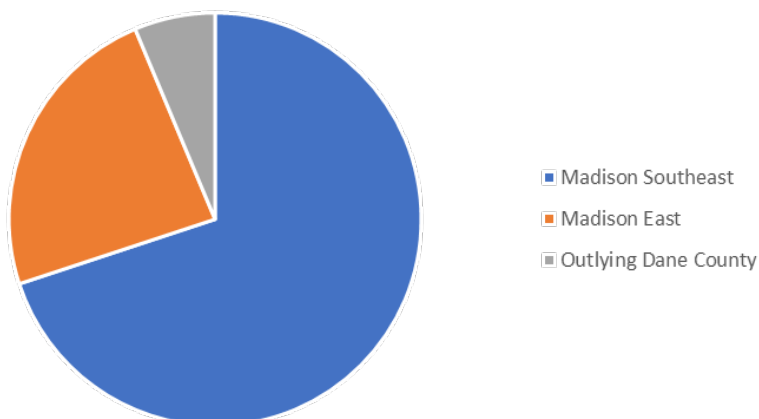


Submarket	Leased sf
Madison West	63,276
Madison East	44,723
Madison Northeast	34,108
Madison Central	30,137
Madison Southeast	21,670
Madison Southwest	16,880

# Sales Activity

Property Name	Buyer	Seller	Submarket	Sale Price (\$)
5500 & 5510 Nobel Dr, Fitchburg	Promega Corporation	New Venture Center II, LLC	Madison Southeast	9,450,000
2801 Progress Rd	Department of Natural Resources	Progress Road, LLC	Madison East	3,200,000
404 Walter Road	Le Voy Properties Mazo, LLC	Jfw Holdings, LLC	Outlying Dane County	400,000
4001 Nakoosa Trl (Condo)	A & L Investment Properties, LLC	Professional Center @30/51, LLC	Madison East	165,000

Bldg SF Sold by Submarket



Submarket	Sold sf
Madison Southeast	88,156
Madison East	29,915
Outlying Dane County	7,989

# Methodology

The Madison market consists of all multi-tenant and single-tenant leased office buildings 10,000 sf or larger in Dane County. Property types included in the tracked set consist of general office and corporate facilities. The tracked set does not include medical office and government-owned buildings. 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 Full-Service Gross (FSG) 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 FSG terms

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