

**COMMERCIAL
REAL ESTATE
MARKET REPORT**

Q2 2024
MADISON



MOODY'S

FOR IMMEDIATE RELEASE JANUARY 2024

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COMMERCIAL REAL ESTATE MARKET REPORT | Q2 2024

Office

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) increased 40 basis points to 2.5% compared to 2.1% in May 2023. The unemployment rate for the US was at 4.0% in May 2024 increasing 30 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 1,600 jobs during the same period.

Madison Overview

- Madison office market had overall vacancy rate of 14.4% with (140,500) sf negative absorption bringing the YTD to (147,700) sf negative absorption. The vacancy rate for multi-tenant only properties was 14.0% with (140,500) sf negative absorption bringing the YTD to (147,700) sf negative absorption.
- Madison Central had the most positive absorption with 12,200 sf led by Destree Architects leasing 3,600 sf. Madison West posted the largest loss of (157,700) sf negative absorption led by TDS vacating 110,000 sf on a sublease.
- Madison Southwest market still has the lowest vacancy rate of 6.9% while Madison Southeast market ended Q2 2024 with the highest vacancy rate of 26.4%.
- The Madison office market recorded 49 lease transactions totaling 147,000 sf. Ten properties sold with 149,200 sf for \$23.5 million this quarter.
- Currently there are 3 properties under construction totaling 504,600 sf while two properties were delivered this year with 55,000 sf in the Madison market.

Employment
395,622

Area Unemployment
2.5

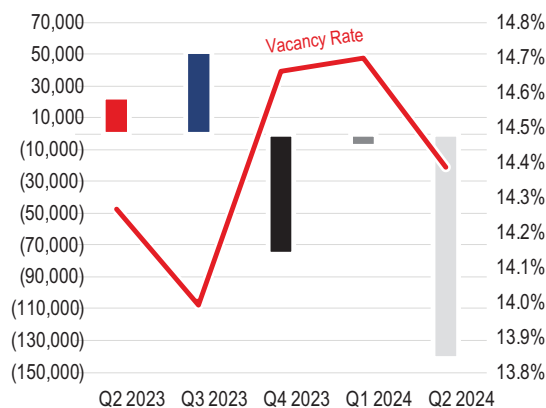
U.S. Unemployment
4

Office-Using Jobs
97,400

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	1,439,618	1,094,394	(143,171)	(149,396)	16.0%
B	196	7,631,289	1,386,287	1,053,209	(8,022)	(13,106)	13.8%
C	141	3,097,454	434,083	377,441	10,596	14,744	12.2%
Grand Total	395	17,551,366	3,259,988	2,525,044	(140,597)	(147,758)	14.4%

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	171,605	198,740	14,823	10,892	9.8%
	B	42	2,031,940	237,951	192,445	2,112	(1,608)	9.5%
	C	34	883,409	184,063	180,023	(4,735)	(1,841)	20.4%
	Subtotal	92	4,947,114	593,619	571,208	12,200	7,443	11.5%
Madison East	A	2	168,921	11,686	8,604	0	3,477	5.1%
	B	15	631,458	178,615	85,379	1,984	5,649	13.5%
	C	6	133,686	7,547	5,757	(1,038)	(1,038)	4.3%
	Subtotal	23	934,065	197,848	99,740	946	8,088	10.7%
Madison North	A	7	624,167	211,022	140,847	0	0	22.6%
	B	16	470,047	70,849	96,683	(2,614)	(91)	20.6%
	C	14	342,841	39,595	32,777	4,343	2,843	9.6%
	Subtotal	37	1,437,055	321,466	270,307	1,729	2,752	18.8%
Madison Southeast	A	1	112,428			0	0	0.0%
	B	14	608,245	212,544	237,544	1,983	(5,232)	39.1%
	C	12	251,359	19,311	19,311	0	(2,656)	7.7%
	Subtotal	27	972,032	231,855	256,855	1,983	(7,888)	26.4%
Madison Southwest	A	9	996,556	83,820	46,891	0	0	4.7%
	B	56	1,997,000	251,539	145,692	(12,273)	(3,856)	7.3%
	C	54	1,044,343	93,689	87,767	12,590	12,351	8.4%
	Subtotal	119	4,037,899	429,048	280,350	317	8,495	6.9%
Madison West	A	23	2,888,786	961,485	699,312	(157,994)	(163,765)	24.2%
	B	53	1,892,599	434,789	295,466	786	(7,968)	15.6%
	C	21	441,816	89,878	51,806	(564)	5,085	11.7%
	Subtotal	97	5,223,201	1,486,152	1,046,584	(157,772)	(166,648)	20.0%
Grand Total	395	17,551,366	3,259,988	2,525,044	(140,597)	(147,758)	14.4%	

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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 40 basis points to 2.5% compared to 2.1% in May 2023. The unemployment rate for the US was at 4.0% in May 2024 increasing 30 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 1,300 jobs during the same period.

Madison Overview

- Madison industrial market posted (68,400) sf of negative absorption bringing YTD to 351,600 sf positive absorption and a 2.9% vacancy rate. Multi-tenant only properties had (202,700) sf of negative absorption bringing YTD to 122,000 sf positive absorption and a 8.4% vacancy rate.
- Madison Southwest market saw the most gain with 162,800 sf positive absorption led by new delivery of Arrowhead Pharmaceutical with 160,000 sf. Madison West posted the largest loss of (272,400) sf negative absorption led by Sierra Space vacating 266,000 sf on a sublease.
- Madison market saw 18 lease transactions totaling over 367,600 sf. Sixteen properties sold totaling 161,600 sf for \$13.7 million.
- Currently there are 10 projects under construction totaling over 647,800 sf while 6 properties were delivered YTD totaling 680,900 sf in the Madison market.

Employment
395,622

Area Unemployment
2.5

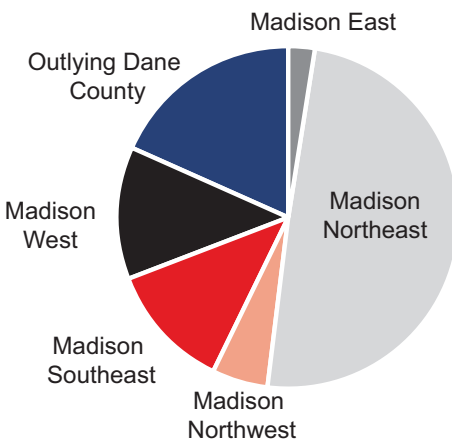
U.S. Unemployment
4

Industrial-Using Jobs
39,600

Industrial Summary

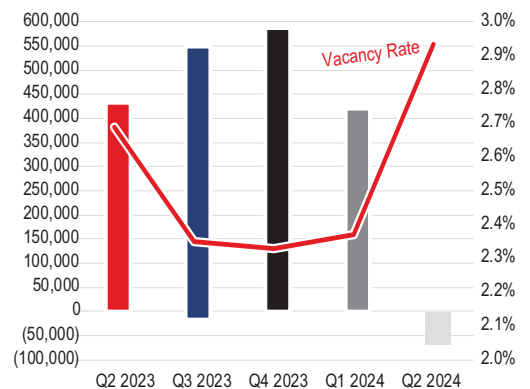
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Flex/R&D	145	6,095,741	213,316	204,451	(6,618)	7,124	3.4%
Manufacturing	244	22,169,806	1,219,776	422,204	(29,250)	(8,250)	1.9%
Warehouse Distribution	111	14,281,136	1,049,284	871,611	(74,481)	118,979	6.1%
Warehouse Office	688	19,298,816	614,590	315,485	41,880	233,834	1.6%
Grand Total	1,188	61,845,499	3,096,966	1,813,751	(68,469)	351,687	2.9%

Industrial New Developments



MARKET	BLDG SIZE (SF)
Madison East	17,800
Madison Northeast	320,012
Madison Northwest	34,500
Madison Southeast	76,800
Madison West	81,764
Outlying Dane County	117,000
Grand Total	647,876

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	352,117		0	0.0%	
	Warehouse Office	31	1,089,961	57,536	20,686	11,500	1.9%	
	Subtotal	48	2,384,990	409,653	20,686	11,500	21,891	0.9%
Madison East	Flex/R&D	50	1,390,756	108,322	73,510	(23,840)	(17,014)	5.3%
	Manufacturing	50	3,453,782	242,678	242,678	(208,500)	(208,500)	7.0%
	Warehouse Distribution	17	2,447,204	272,483	272,483	65,000	65,000	11.1%
Madison Northeast	Warehouse Office	145	3,849,024	117,722	50,325	0	(2,650)	1.3%
	Subtotal	262	11,140,766	741,205	638,996	(167,340)	(163,164)	5.7%
	Flex/R&D	28	960,938	28,875	15,788	20,622	26,355	1.6%
Madison Northwest	Manufacturing	51	4,497,794	179,526	179,526	0	21,000	4.0%
	Warehouse Distribution	52	6,790,836	164,607	109,153	87,000	112,120	1.6%
	Warehouse Office	114	3,400,189	81,750	30,600	20,000	192,795	0.9%
Madison Southeast	Subtotal	245	15,649,757	454,758	335,067	127,622	352,270	2.1%
	Flex/R&D	6	217,209			0	4,033	0.0%
	Manufacturing	15	1,828,980	238,032		0	0	0.0%
Madison Southwest	Warehouse Distribution	4	476,188			0	0	0.0%
	Warehouse Office	33	1,052,501			0	0	0.0%
	Subtotal	58	3,574,878	238,032		0	4,033	0.0%
Madison West	Flex/R&D	21	935,304	9,233	9,233	0	0	1.0%
	Manufacturing	39	2,837,582	22,700		19,250	19,250	0.0%
	Warehouse Distribution	13	1,148,967	52,000	65,582	39,512	65,952	5.7%
Outlying Dane County	Warehouse Office	172	4,428,977	100,496	69,496	10,620	12,820	1.6%
	Subtotal	245	9,350,830	184,429	144,311	69,382	98,022	1.5%
	Flex/R&D	28	1,903,213		64,020	2,850	0	3.4%
Outlying Dane County	Manufacturing	24	3,401,386			160,000	160,000	0.0%
	Warehouse Distribution	7	801,678	95,000		0	0	0.0%
	Warehouse Office	79	2,230,735	190,508	131,514	0	9,218	5.9%
Outlying Dane County	Subtotal	138	8,337,012	285,508	195,534	162,850	169,218	2.3%
	Flex/R&D	12	688,321	66,886	41,900	(6,250)	(6,250)	6.1%
	Manufacturing	14	1,512,543			0	0	0.0%
Outlying Dane County	Warehouse Distribution	10	1,459,315	306,794	265,993	(265,993)	(265,993)	18.2%
	Warehouse Office	81	2,312,059	56,416	5,364	(240)	(240)	0.2%
	Subtotal	117	5,972,238	430,096	313,257	(272,483)	(272,483)	5.2%
Outlying Dane County	Flex/R&D	34	3,342,710	184,723		0	0	0.0%
	Warehouse Distribution	8	1,156,948	158,400	158,400	0	141,900	13.7%
	Warehouse Office	33	935,370	10,162	7,500	0	0	0.8%
Outlying Dane County	Subtotal	75	5,435,028	353,285	165,900	0	141,900	3.1%
	Grand Total	1,188	61,845,499	3,096,966	1,813,751	(68,469)	351,687	2.9%

Retail

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Madison metropolitan statistical area (MSA) increased 40 basis points to 2.5% compared to 2.1% in May 2023. The unemployment rate for the US was at 4.0% in May 2024 increasing 30 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 700 jobs during the same period.

Madison Overview

- Madison retail market showed 103,300 sf positive absorption bringing YTD to 127,900 sf positive absorption and a vacancy rate of 5.5% for both multi and single tenant properties. Multi-tenant only properties recorded 57,700 sf positive absorption bringing YTD to 82,200 positive absorption while ending with a 8.2% vacancy rate this quarter.
- Madison Southwest market posted the most positive absorption with 48,200 sf led by Fresh Mart leasing 36,600 sf. Outlying Dane County was the only market to post negative absorption of (11,300) sf led by Mark-It My Way vacating 11,300 sf.
- For Madison primary markets Madison North achieved the lowest rate at 1.6% vacancy rate while Madison East was the highest with 8.7% vacancy rate.
- The Madison retail market saw 22 lease transactions totaling 81,000 sf. Twenty properties totaling 141,900 sf sold for \$32.9 million.
- Currently there are 10 projects under construction totaling 109,200 sf. Six properties have been delivered this year in Madison totaling 26,400 sf.

Employment
395,622

Area Unemployment
2.5

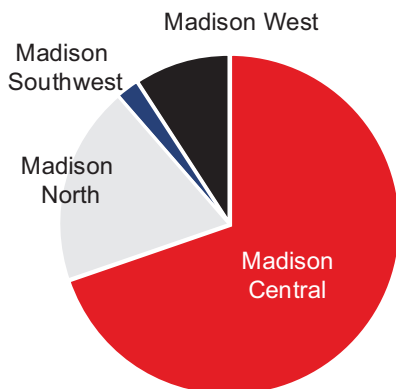
U.S. Unemployment
4

Retail-Using Jobs
39,100

Retail Summary

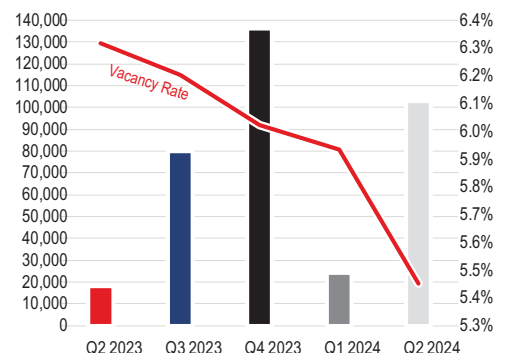
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	6	627,287	93,965	93,965	0	0	15.0%
Freestanding/Big Box	235	9,311,625	199,515	187,371	36,625	36,625	2.0%
Mixed Use	134	1,845,452	173,809	194,043	23,862	33,649	10.5%
Neighborhood Center	72	3,464,618	286,839	206,721	13,678	26,729	6.0%
Regional Center	3	1,883,319	276,539	276,539	7,497	5,394	14.7%
Restaurant	96	662,486	15,200	10,000	9,000	9,000	1.5%
Strip Center	272	3,456,571	266,671	190,015	12,709	16,497	5.5%
Grand Total	818	21,251,358	1,312,538	1,158,654	103,371	127,894	5.5%

Retail New Developments



MARKET	BLDG SIZE (SF)
Madison Central	76,211
Madison North	20,670
Madison Southwest	2,385
Madison West	10,000
Grand Total	109,266

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	0.0%	
	Mixed Use	60	775,648	57,170	79,387	5,037	19,209	10.2%
	Neighborhood Center	4	250,675	23,523	23,523	0	3,000	9.4%
	Restaurant	14	108,038			0	0	0.0%
	Strip Center	20	259,918	10,618	7,438	386	386	2.9%
	Subtotal	117	1,701,086	91,311	110,348	5,423	22,595	6.5%
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	0	0	7.3%
	Mixed Use	10	159,772	5,300	5,300	3,293	3,293	3.3%
	Neighborhood Center	15	715,008	49,395	49,395	8,288	8,288	6.9%
	Regional Center	1	787,809	148,360	148,360	304	304	18.8%
	Restaurant	15	111,912			0	0	0.0%
Madison North	Strip Center	51	750,916	57,755	36,755	4,995	5,897	4.9%
	Subtotal	144	5,186,582	471,228	450,228	16,880	17,782	8.7%
	Freestanding/Big Box	44	1,988,874			0	0	0.0%
	Mixed Use	14	161,982	15,923	12,231	2,054	2,054	7.6%
	Neighborhood Center	10	505,255	17,157	20,894	3,205	8,029	4.1%
	Restaurant	11	62,907	5,200		0	0	0.0%
Madison Southeast	Strip Center	46	519,087	30,349	20,081	2,808	5,130	3.9%
	Subtotal	125	3,238,105	68,629	53,206	8,067	15,213	1.6%
	Freestanding/Big Box	12	416,768			0	0	0.0%
	Mixed Use	8	247,392	18,995	18,995	0	3,051	7.7%
	Neighborhood Center	2	76,671			0	0	0.0%
	Restaurant	5	39,884	10,000	10,000	0	0	25.1%
Madison Southwest	Strip Center	6	83,040	10,629	10,629	0	0	12.8%
	Subtotal	33	863,755	39,624	39,624	0	3,051	4.6%
	Community Center	1	135,107	7,525	7,525	0	0	5.6%
	Freestanding/Big Box	57	2,180,797		5,856	36,625	36,625	0.3%
	Mixed Use	19	197,321	23,698	23,698	9,808	9,808	12.0%
	Neighborhood Center	25	1,123,595	113,255	93,778	(6,098)	(4,222)	8.3%
Madison West	Regional Center	1	411,508	90,937	90,937	2,400	(975)	22.1%
	Restaurant	20	127,830			0	0	0.0%
	Strip Center	83	1,052,396	92,795	61,907	5,462	5,004	5.9%
	Subtotal	206	5,228,554	328,210	283,701	48,197	46,240	5.4%
	Community Center	3	323,384	57,537	57,537	0	0	17.8%
	Freestanding/Big Box	38	1,489,144			0	0	0.0%
Outlying Dane County	Mixed Use	16	231,907	50,303	52,012	3,670	(3,766)	22.4%
	Neighborhood Center	14	662,217	40,188	19,131	8,283	11,634	2.9%
	Regional Center	1	684,002	37,242	37,242	4,793	6,065	5.4%
	Restaurant	20	147,717			9,000	9,000	0.0%
	Strip Center	48	557,076	47,350	41,830	10,433	8,648	7.5%
	Subtotal	140	4,095,447	232,620	207,752	36,179	31,581	5.1%
Grand Total	Freestanding/Big Box	15	436,866	18,000		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	17,175	11,375	(11,375)	(8,568)	4.9%
	Subtotal	53	937,829	80,916	13,795	(11,375)	(8,568)	1.5%
Grand Total	818	21,251,358	1,312,538	1,158,654	103,371	127,894	5.5%	