

Madison Industrial Snapshot | Q2 2023



MARKET INDICATORS

1.8% 
VACANCY RATE

574,650 
NET ABSORPTION

\$7.43 
AVG MARKET RENT

1,209,040 
SF UNDER CONSTRUCTION

ECONOMIC INDICATORS

2.1% 
MADISON UNEMPLOYMENT RATE

3.4% 
U.S. UNEMPLOYMENT RATE



The appetite for more Madison industrial space remains strong. Even though construction has increased, it is still lags behind other metropolitan areas because of very high demand in the market. Logistics space continues to be the most sought after, with a majority of activity being on the leasing side, whereas sales are slowing due to the climbing interest rates.

VACANCY & RENTAL RATES

The beginning of 2023 saw a drop in vacancy from the end of the year 2022, and now in Q2, there is another substantial drop going from 2.5% last quarter to 1.8% currently. This continues to reflect a very large demand in the market for industrial space and is one we expect to continue through the remainder of the year.

With a strong market demand and low vacancy, the average asking rental rate has decreased. In Q2 it is at \$7.43, down from \$7.77 last quarter. The Madison average still is well below the national average of \$11.60 per square foot. The local market continues to benefit landlords in the area, who have gained more in pricing power, because of limited availability.

LEASING & SALES

The strong start to leasing in 2023 has continued through Q2. Of the top significant leases, the most significant was the 95,000 square foot lease at 2417 W. Badger Road to O'Mara Moving Systems, Inc. This lease is close to the same size as the next four significant leases combined. So leasing is strong, but the sizes of leases are smaller, likely due to limited

quantity of larger spaces. Sales activity continues to be slow in the first half of the year. In Q2, the most significant sale transaction was SARA Investment Real Estate's purchase of 150 Business Park Drive, an 180,000 square foot manufacturing facility in Sun Prairie for \$8 million. The next most significant sale was Grindstone Management LLC's purchase of 908 Stewart St in the South Central Madison submarket for \$2.94 million. The division between buyers and sellers on pricing continues to be a challenge and impacting the amount of sales activity in the market.

CONSTRUCTION

While sales activity is slow, the level of construction in the Madison market continues to increase. Q2 saw another jump in the amount of square feet under construction, increasing 400,000 square feet to 1.2 million square feet. This was up from Q1's total of 818,348 square feet. Currently there are 12 properties under construction with three new starts in Q2 alone, including 3204 Ohmeda Drive, a 272,483 square foot building expected to be completed Q2 2024. There are six properties slated for completion by the end of next quarter, which would bring more than 522,000 square feet to the market. These buildings include 6002 Femrite Drive, 749 Little Potato Way, 1800 Williams Drive, 2530 Agriculture Drive, 1730 Technology Drive and 1320 N. Bristol Street. These high levels of construction aren't having as large of an impact on the overall Madison industrial market due to the very high level of market demand.

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Industrial Market Statistics

| Submarket | Inventory | Available SF | Total Vacant SF | Total Absorption (SF) | YTD Total Absorption (SF) | Vacancy Rate | Total Under Construction | Average Market Rent |
|-----------------------|-------------------|------------------|-----------------|-----------------------|---------------------------|--------------|--------------------------|---------------------|
| Central Campus | 2,090,891 | 26,686 | 19,686 | 3,912 | 3,912 | 0.90% | 0 | \$8.87 |
| Columbia County | 6,326,840 | 431,789 | 137,289 | (7,674) | 50,336 | 2.20% | 0 | \$4.75 |
| Iowa County | 1,791,989 | 16,224 | 12,224 | 0 | (12,224) | 0.70% | 0 | \$7.23 |
| Near West Madison | 1,415,006 | 117,800 | 0 | 13,893 | 69,246 | 0.00% | 0 | \$10.13 |
| Northeast Madison | 14,056,967 | 473,315 | 189,823 | 75,784 | 629,507 | 5.00% | 123,000 | \$7.38 |
| Northwest Madison | 5,791,225 | 61,273 | 30,018 | 14,350 | 393,416 | 0.50% | 140,000 | \$9.88 |
| Outlying Dane East | 14,460,186 | 1,109,595 | 248,360 | (107,008) | (95,508) | 2.10% | 772,006 | \$6.57 |
| Outlying Dane West | 8,447,164 | 59,374 | 16,133 | 457,367 | 303,967 | 0.20% | 0 | \$7.14 |
| S Central Madison | 6,529,081 | 112,141 | 61,829 | (5,400) | (2,899) | 1.00% | 20,000 | \$8.30 |
| Southeast Madison | 10,043,290 | 544,266 | 90,966 | 124,471 | 566,893 | 0.90% | 154,034 | \$7.92 |
| Southwest Madison | 1,151,711 | 23,840 | 0 | 0 | 0 | 0.00% | 0 | \$8.48 |
| Madison Totals | 72,104,350 | 2,976,303 | 806,328 | 569,695 | 1,906,646 | 1.12% | 1,209,040 | \$7.88 |

Significant Lease Transactions

| Tenant | Address | Size (SF) | Submarket |
|----------------------------|------------------|-----------|--------------------|
| O'Mara Moving Systems, Inc | 2417 W Badger Rd | 95,000 | West Madison |
| Undisclosed | 6002 Femrite Dr | 93,156 | Outlying Dane East |
| Amanda | 129 Railroad St | 3,000 | Northeast Madison |
| Yotrio Corporation | 318 Locust Dr | 2,850 | Outlying Dane West |
| Undisclosed | Pinehurst Dr | 1,485 | Northwest Madison |

Significant Sales Transactions

| Buyer | Address | Price | Submarket |
|-----------------------------|----------------------|-------------|------------------------------|
| SARA Investment Real Estate | 150 Business Park Dr | \$8,000,000 | Outlying Dane East Submarket |
| Grindstone Management Llc | 908 Stewart St | \$2,940,000 | S Central Madison Submarket |
| Undisclosed | 1421 E Main st | \$1,249,000 | Central Campus |
| 1009 Applegate Rd LLC | 1009 Applegate rd | \$1,200,000 | S Central Madison Submarket |
| Lyschel Walter | 4903 Commerce ct | \$952,000 | Southeast Madison |

Sources: CoStar

The above Madison statistics include a select tracked set submarkets including an inventory of buildings considered to be competitive per CoStar. This does not include all buildings or building types, but focuses on the core properties to determine quarterly statistics. Data includes owner-occupied buildings and includes all property sizes including single and multi-tenant buildings.

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