

Madison Industrial Snapshot | Q4 2023



MARKET INDICATORS

2.6%

VACANCY RATE



1,043,100

NET ABSORPTION



\$6.82

AVG MARKET RENT



1,435,660

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

2.0%

MADISON UNEMPLOYMENT RATE



3.7%

U.S. UNEMPLOYMENT RATE



The demand for industrial properties in Madison continues to be strong, with high leasing activity, especially within the logistics sector. The pipeline of new construction properties that are being added to the overall market inventory has been helping, but the demand continues to outweigh the available properties, keeping vacancy levels extremely low.

VACANCY & RENTAL RATES

The vacancy rate for the Madison market ended the year at 2.6%, up from Q3 which was 2.2%. This rate has been in the 2.0% range over the past year, with the highest being Q4 2022 when it was 2.8%. This shows that the demand in the market remains strong, and that while new construction is added to the overall inventory, the market is still outpacing this new supply.

The average market rental rate dropped in Q4, down to \$6.82, from the high in Q3 of \$7.98. The rate is lower than at this time last year, where it was \$7.12. The Madison growth rate continues to lag behind the national average of 6.1%. Madison is only at 4.1%, and while locally rates are expected to increase, it is expected to continue to trail behind the national average as we move into 2024.

LEASING & SALES

Leasing activity at the end of the year remains active, with a demand for logistics space still being the most sought-after space type. The top significant transactions in Q4 overall were smaller than the lease sizes seen

in Q3. The most significant transaction was to an undisclosed tenant leasing 118,176 square feet at 749 Little Potato Way in the Outlying Dane East submarket, which has seen higher activity throughout the year. The next transaction was also from this submarket, with an undisclosed tenant leasing 30,000 square feet at 1824 Haynes Drive.

The overall sales volume again was slow during Q4, with the most significant sale transaction being the County of Dane purchasing 2002 Pankratz Street for \$4.9 million in the Northeast Madison submarket. Other significant sales included: 615 Mayfair Avenue to Findorff Development Co. Inc. for \$1.9 million; as well as two undisclosed sales at 2917 Progress Road and 2014-2018 S. Stoughton Road for \$1.6 million and \$1.5 million, respectively.

CONSTRUCTION

New construction in Q4 is currently up to 1,435,660 square feet under construction. This was up from this time last year which saw only 469,723 square feet under construction. There were no new projects started in Q4, and only one projected is slated for completion in Q1 2024. This is the Everlight property at 1155 Ambition, a 58,800 square foot facility expected to open in February. While new projects have been added to the market throughout the year, demand continues to be strong for new and modern buildings from tenants, especially those in the logistics-related industry.

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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	2,097,394	35,956	35,956	3,130	(12,358)	1.70%	0	\$9.16
Columbia County	6,525,180	438,106	143,606	0	140,998	2.20%	0	\$4.78
Iowa County	1,818,705	18,936	18,936	12,224	(18,936)	1.00%	0	\$7.56
Near West Madison	1,415,006	95,000	0	0	40,000	0.00%	0	\$10.21
Northeast Madison	14,109,429	366,849	218,065	62,716	196,345	5.30%	41,000	\$7.53
Northwest Madison	5,913,259	94,285	45,350	(20,050)	190,999	0.80%	140,000	\$10.06
Outlying Dane East	15,089,484	689,083	350,600	180,500	183,999	3.50%	272,483	\$6.79
Outlying Dane West	8,450,599	328,131	261,105	25,370	125,028	3.10%	58,800	\$7.36
S Central Madison	6,551,561	131,214	117,714	19,799	(78,357)	1.80%	0	\$8.40
Southeast Madison	10,118,009	555,843	224,293	21,889	230,657	2.50%	24,992	\$8.04
Southwest Madison	1,177,298	40,595	30,607	(37,533)	(37,533)	3.20%	0	\$8.59
Madison Totals	73,265,924	2,793,998	1,446,232	268,045	960,842	1.97%	537,275	\$8.04

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Undisclosed	749 Little Potato Way	118,176	Outlying Dane East
Eastman Chemical	1824 Haynes Dr	30,000	Outlying Dane East
Undisclosed	2840 Innovation Way	20,049	Northeast Madison
Undisclosed	2041 S Stoughton Rd	18,750	Southeast Madison

Significant Sales Transactions

Buyer	Address	Price	Submarket
County of Dane	2002 Pankratz St	\$4,960,000	Northeast Madison
Findorff Development Co Inc	615 Mayfair Ave	\$1,960,000	Northeast Madison
Confidential	2917 Progress Rd	\$1,605,000	Southeast Madison
Confidential	2014-2018 S Stoughton Rd	\$1,525,000	Southeast Madison
Dean Reinke	1210 Greenway Cross	\$889,236	S Central 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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