

Madison

Office | Q1 2024 Market Report

Quarterly Snapshot

↓ Average Rent
23.12/SF

↓ Vacancy
6.1%

↑ Net Absorption
114,000 SF

Occupier's Perspective

With office availabilities trending at nearly 10-year highs, property owners in Madison are experiencing limitations in their ability to raise rents. Compared to the 10-year average of close to 2% annual growth, market rent growth in Madison has been decelerating over the past several quarters.

Easily the most adversely impacted segment of Madison's office market has been pricing for sublet space, which has dropped off significantly since the onset of the pandemic.

With shifting office space requirements, work-from home trends, and rising construction costs, new construction has overwhelmingly favored build-to-suit developments or new owner-occupied headquarters over the past few years.

Madison's pipeline of new construction presents little concern to the market. Currently, only 190,000 square feet of space is under construction, representing just 0.5 percent of the total inventory in the market. While development has heavily leaned toward-owner occupied and build-to-suit developments, a small increase in speculative projects has been observed.

While leasing activity has improved following the decade low annual total of just 720,000 square feet leased in 2020, office demand levels remain considerably below pre-pandemic averages. Between 2015 and 2019, Madison's office market averaged more than 1.2 million square feet in annual leases. At the end of 2022, total leasing volume reached close to 950,000 square feet, or more than 20 percent below pre-pandemic levels.

The relative stability of Madison's office market has proven advantageous to property owners in the area, providing leverage setting lease rates since the onset of the pandemic, compared to the national average. The delta in annual rent growth reached its widest point in the first quarter of 2022, when Madison's growth rate of 3.8 percent outpaced the national average by 230 basis points. Current annual rent growth of 0.6 percent continues to outpace the national picture, but that delta has shrunk considerably, as rent growth trends decelerate.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Deloitte Consulting	14,295 SF	Central Campus	Renewal	Office
Hawkins Ash CPA	9,764 SF	Appleton/Oshkosh	Renewal	Office
Silver Sluggers	6,431 SF	Northwest Madison	New Lease	Office
Madison Investments	4,113 SF	Central Campus	New Lease	Office
The Cat's Brew	2,549 SF	Northeast Madison	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
0.2%	▼	\$20.52	Outlying Dane East
5.2%	▼	\$21.39	S. Central Madison
8.8%	▲	\$21.95	Southwest Madison
7.2%	▼	\$22.15	Northeast Madison
0.9%	◆	\$23.11	Outlying Dane West
3.7%	▼	\$23.29	Near West Madison
12.5%	▲	\$24.59	Northwest Madison
5.7%	▲	\$25.54	Central Campus