

# Madison

Office | Q2 2024 Market Report

## Quarterly Snapshot

↓ Average Rent  
22.91/SF

↓ Vacancy  
5.9%

↓ Net Absorption  
-45,100 SF

## Occupier's Perspective

The Central Campus Submarket, home to both the State Capitol and the University of Wisconsin-Madison, remains the premier office submarket in Madison. Average market rents in Central Campus of more than \$24.75 per square foot represent a premium compared to Madison's over-all market average, which currently stands at \$23.00 per square foot.

Northwest Madison Submarket has risen in prominence over the past two decades thanks to growing business parks such as Old Sauk Trails, which continue to land major tenants and new developments that favor proximity to the more affluent western suburbs and larger floor plates more commonly found outside the city center.

Sublet space has been adversely impacted, which has dropped significantly since the onset of the pandemic. Following a more than 600 percent increase in the amount of sublet space on the market since the beginning of the first quarter 2020, average asking rents in this segment have fallen drastically from a high of \$26 at the start of 2020 to just over \$20 per square foot.

Madison tenants are gravitating toward smaller, higher-quality office spaces, weakening the demand in the market. Despite shrinking space needs, vacancies have largely stabilized, hovering between 5.5 and 6 percent since second quarter of 2021, thanks to a relative lack of supply additions and the ceasefire of companies making office closure announcements that contributed to the spike in vacancies seen in 2021.

The relative stability of Madison's office market has proven advantageous to property owners in the area, who have enjoyed more leverage since the onset of the pandemic with setting lease rates when compared to the national average. The delta in annual rent growth reached its widest point in the first quarter of 2022, when Madison's 3.8 percent rate growth outpaced the national average by 230 basis points.

Meanwhile, elevated interest rates and a growing divergence in pricing expectations between buyers and sellers appears to have finally materialized into a drop in sales activity early in 2023. Although the back half of 2022 enjoyed a late surge of investment activity, with buyers closing on over \$100 million in acquisitions, first quarter figures paint a very different investment picture, with quarterly deal volume dropping by more than 70 percent.

## Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Crivello Carlson	4,364 SF	Central Campus	New Lease	Office
Integrity Residential Services	4,000 SF	S. Central Madison	New Lease	Office
Quintessa	2,772 SF	Northwest Madison	New Lease	Office
Renew Wisconsin	2,600 SF	Central Campus	New Lease	Office
SmaXtec, Inc.	1,723 SF	Northeast Madison	New Lease	Office
Alloy Fitness	1,709 SF	Northwest Madison	New Lease	Office
Vantage Point Private Wealth LLC	1,361 SF	Near West Madison	Renewal	Office

## Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
6.0%	▲	\$20.24	Southeast Madison
0.2%	◆	\$20.51	Outlying Dane East
3.6%	▼	\$21.33	S. Central Madison
10.6%	▲	\$21.94	Southwest Madison
6.9%	▼	\$22.04	Northeast Madison
0.4%	▼	\$23.05	Outlying Dane West
3.3%	▼	\$23.59	Near West Madison
12.7%	▲	\$23.80	Northwest Madison
5.8%	◆	\$25.48	Central Campus