

Madison

Office | Q1 2025 Market Report

Quarterly Snapshot

↓	Average Rent \$23.33/SF
↑	Vacancy 6.8%
↓	Net Absorption (256K) SF

Occupier's Perspective

Tenants in Madison are taking advantage of a shifting office landscape by downsizing into smaller, more modern spaces that better fit evolving workplace needs. The availability of quality office inventory is increasing, giving occupiers more leverage and flexibility in lease negotiations. With availability at 9.3%—well below the national average—competition remains manageable, particularly in prime locations. State agencies and large employers are leading the charge, relocating from aging buildings into newer developments. For occupiers, this presents a timely opportunity to upgrade space or relocate under favorable terms in a market that continues to rebalance.

Madison's evolving capital markets environment is indirectly creating new opportunities for office occupiers. As investors increasingly pursue value-add and redevelopment-focused acquisitions—particularly in lower-tier office assets—occupiers may benefit from landlords more willing to negotiate favorable lease terms in underperforming properties. Additionally, the rise in owner-user transactions highlights a growing appetite among businesses to control their own real estate, potentially locking in long-term cost stability amid market uncertainty. For tenants in older or less efficient buildings, redevelopment pressure may accelerate relocation decisions, especially as some properties are transitioned into multifamily or mixed-use developments.

Madison's office market is undergoing a period of transition as tenants increasingly prioritize smaller, higher-quality spaces over older, outdated buildings. This trend toward rightsizing has contributed to a steady return of office space to the market, driving up availability.

Since hitting a five-year low of 2.3 million square feet (SF) in mid-2020, available office space has grown to 3.8 million SF. Madison's current availability rate stands at 9.3%—well above historical norms, yet still significantly below the national average of 16.1%.

New office development has been modest, with just 1.5 million SF delivered over the past five years. Most of this activity has centered around headquarters expansions and build-to-suit projects for major local employers like TruStage, Exact Sciences, and the state government. The state remains a key driver of demand, actively consolidating its footprint by vacating older buildings in favor of newer, more efficient spaces. This shift has spurred the redevelopment of several prime properties near the State Capitol.

Demolition has also been a notable factor, with 770,000 SF of obsolete office space removed from the market over the past five years, helping to offset some of the increase in availability.

Despite elevated vacancy levels, asking rents have remained resilient. Over the past year, market rents have increased by 2.1%, slightly above the five-year average of 1.8%. With strong population growth and a thriving innovation ecosystem supported by the University of Wisconsin–Madison and state institutions, Madison is well-positioned for future demand growth. As a result, rent performance is expected to outpace national trends in the near term.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Uniek	255,142 SF	Outlying Dane West	Renewal	Office
Keefe Group LLC	56,355 SF	Outlying Dane East	New Space	Office
Esker, Inc	32,386 SF	Northwest Madison	Renewal	Office
Perlisten Audio	11,283 SF	Outlying Dane West	New Space	Office
Church Mutual Insurance	7,767 SF	Central Campus	Renewal	Office
Tyler Wisconsin	5,436 SF	Central Campus	Expansion	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
8.4%	▼	\$20.91	Southwest Madison
8.6%	▲	\$21.11	Southeast Madison
4.1%	▲	\$21.63	S Central Madison
4.1%	▲	\$21.80	Outlying Dane East
6.7%	▲	\$21.96	Northeast Madison
3.0%	▲	\$23.67	Near West Madison
0.1%	▲	\$23.97	Outlying Dane West
14.2%	▲	\$24.26	Northwest Madison
8.8%	▲	\$25.95	Central Campus