

# Market Report

Madison's office market was on solid ground heading into the pandemic thanks to few speculative under construction projects, tight vacancies, and an already affordable rental market. Vacancy compression has been strong over the past decade as absorption continually outpaced new supply. The market experienced vacancy softening in the back half of 2020 due to some smaller move-outs, but the impact was relatively mild and the current average market vacancy rate of 5.4% remains well below the national average of 12.1%. New supply is limited and few projects have broken ground in recent quarters. Additionally, the few deliveries that have occurred so far this year have typically been build to suit, such as the new 138,000 SF corporate headquarters for Exact Sciences. Because of this, future supply side shocks are unlikely in the market and vacancies are projected to continue dropping over the long term.

Coming off one of the strongest years on record for investment activity in the market, 2020 saw a sharp and lasting contraction in total sales volume at the start of the pandemic as mounting uncertainty led to an overall reduction in investment activity. Total sales fell considerably to less than \$50 million, marking the lowest volume seen since 2012. Though smaller investment deals and owner user transactions are still occurring with relative frequency, larger marquee transactions are becoming even more heavily scrutinized by investors during these uncertain times and have become less commonplace.



## Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$20.64	Milwaukee   Class A 10%	▲ 1.1%
\$16.53	Green Bay   Class A 6.9%	▼ 3.45%
\$19.90	Appleton   Class A 11.3%	▲ 3.1%
\$14.56	Eau Claire   Class A 4.5%	▼ .7%
\$16.31	Racine   Class A 4.5%	▲ .4%
\$16.58	La Crosse- Onalaska   Class A 3.1%	▲ .2%
\$15.45	Janesville-Beloit   Class A 3.6%	▲ 2%
\$16.89	Sheboygan   Class A 4.0%	▲ 1%
\$16.86	Wausau   Class A 11.2%	▲ 1.3%

## Recent Transactions

Tenant	Size	Submarket	Type	Address
1 Raven Software	50,884 SF	Madison	Extension	8476/8496 Greenway Blvd
2 Kosnick Financial	32,453 SF	West Side	Renewal	1600 Aspen Commons
3 Lucigen	23,100 SF	Northwest Madison	New Space	2220-2222 Eagle Drive
4 WATDA	9,080 SF	Central Campas	Renewal	150 E Gilman Street
5 Disability Rigths of WI	8,577 SF	Southeast Madison	Relocation	1502 W Broadway

## Occupier's Perspective

Vacancies in the market have steadily compressed over much of the past decade and absorption remained strong throughout the first half of 2020, outpacing new supply substantially during that period and driving vacancies to new lows.



The coronavirus pandemic has put dampener on leasing activity in the market but the low volume of speculative supply additions has helped prevent any major increases in vacancies. Despite the slight increase in vacancies, Madison's current average vacancy rate of 5.4% remains one of the lowest in the country.



## Market Trends



The pandemic has had a negative impact on rents in the market though, and rent growth softened throughout the back half of 2020 and trending negative in early 2021. Newer and pricier 4 & 5 Star inventory has been more greatly impacted, and is currently trending at -0.8% annual growth.

Overall, current average market rent growth of -1.2% is expected to fall further in the second quarter of 2021 before rebounding later in the year. Despite these low rates, office rent growth is outpacing the national average as larger and pricier markets with greater exposure to risk due to large quantities of speculative supply are seeing more severe contractions in rents.