

Market Report

Madison's office market has been healthy throughout the current expansion thanks to a focus on purpose-driven construction and strong growth in office-using jobs. In the wake of coronavirus, this scenario may change in the coming months. Employers are beginning to adjust to the telework environment that has suddenly become a new reality for many office workers around the world. The extent of those impacts on demand for office space, rent and concessions, and investment remains to be seen, but the landscape is changing. As of 20Q1, vacancies remained compressed near 4.5% in early 2020, as demand returned and surpassed the few deliveries to complete over the past four quarters.

The decrease in additions follows the most additions on record when roughly 1.2 million SF completed in 2018. More than 410,000 SF was under construction in 20Q1, with all but one project due to complete by midyear. Rent gains have continued to appreciate at a moderate pace through early 2020. Nearly \$13.5 million changed hands through 20Q1 and the sales volume reached the second-best annual performance in 2019 when more than \$190 million changed hands.



Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$20.44	Milwaukee Class A 8.9%	▲ .50%
\$16.23	Green Bay Class A 10.35%	▲ 3.8%
\$18.66	Appleton Class A 8.2%	▲ .80%
\$14.99	Eau Claire Class A 5.2%	▼ .2%
\$15.58	Racine Class A 5.6%	▲ 2.5%
\$16.83	La Crosse- Onalaska Class A 1.7%	▲ .2%
\$15.57	Janesville-Beloit Class A 1.8%	▼ 8.9%
\$16.30	Sheboygan Class A 1.8%	▲ 1%
\$18.14	Wausau Class A 9.9%	▲ .8%

Recent Transactions

Tenant	Size	Submarket	Type	Address
1 Foth & Van Dyke	9,944 SF	Milwaukee	Renewal	7044 S Ballpark Drive
2 Uniek	90,590 SF	Deforest	New Space	505 Stokely Drive
3 100State	5,450 SF	Downtown	Relocation	17 S Fairchild Street
4 Westwood Professionals	15,170 SF	West Side	Renewal	8401 Greenway Blvd
5 Healthy Minds	3,243 SF	Downtown	Relocation	2909 Landmark Place

Occupier's Perspective



Vacancies were compressed at roughly 4.5% in 20Q1. Robust growth in office-using employment boosted demand across the current expansion and facilitated this compression that brought vacancies to roughly half their 2009 peak. Though net demand was negative in 2019 through early 2020 for the first time since 2010, the effect on vacancies was negligible.



Current market rent growth of 3.6% is below the 5 year average of 3.5% and is anticipated to continue dropping in the coming quarters as leasing volume slows due to the coronavirus.

Market Trends



Although the long-term economic effects of the coronavirus remain uncertain, it is clear that the local economy will not escape this pandemic unscathed. Record unemployment claims over the past several weeks have put an end to a 10-year run of positive job growth in the market as Madison prepares for over 50,000 job losses in the second quarter.

Growth has spread out to the Northwest Madison Submarket as well, both for office and multifamily development and leasing. Energizer's 19Q1 lease is an example of this demand.

Despite the state's recent reopening, high-risk industry sectors that saw mass closures and layoffs such as retail and hospitality will face an uphill battle to meet the needs of shifting consumer trends.