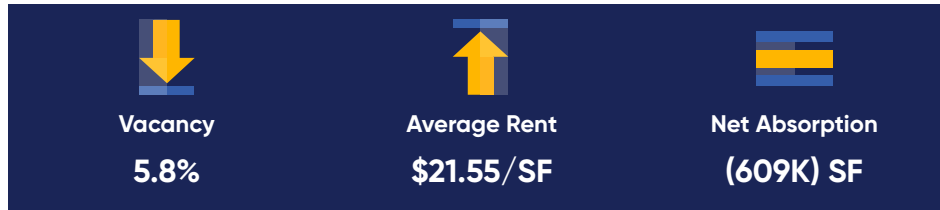


Market Report

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, but the market has experienced vacancy softening over the past few quarters due to several smaller move-outs and some minor new speculative supply additions. However, this impact has been relatively mild and the current average market vacancy rate of 5.8% remains well below the national average of 12.3%.

New supply remains limited, with roughly 410,000-SF of space underway, most of which is build-to-suit or strongly pre-leased. Currently the largest speculative project underway is a 5-story, 92,000-SF development at 908 E Main St. along downtown Madison's fastgrowing Washington Avenue corridor. The project is part of the larger Archipelago Village development, which eventually plans to have 300,000-SF of office space and 75 apartment units in addition to the 2019-built, 144- bed Hotel Indigo. 908 E Main will be the future home of the Wisconsin Housing and Economic Development Authority, which is anchoring 64,000-SF on the top three floors. With few new available spaces underway, market vacancies will benefit from limited supply-side pressure.

In addition to muted leasing activity, investment activity has been low as well since the onset of the pandemic. Although total sales volume ticked up since the start of the new year, the total number of transactions remain significantly below average trading levels seen prior to the pandemic. Highlighting the impact of the pandemic on investment activity in the market, total sales volume in 2020 of less than \$45 million was one of the lowest annual totals over the past decade. 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
\$23.66	Central Campus 5.3%	▼ .1%
\$21.01	Northeast Madison 7.3%	▲ .3%
\$23.65	Northwest Madison 8.7%	▲ .4%
\$20.14	Near West Madison 2.3%	▲ .1%
\$20.35	S Central Madison 7.2%	▲ 4%
\$21.82	Outlying Dane West .5%	▼ .6%
\$20.95	Southwest Madison 7.7%	▲ .1%
\$19.00	Southeast Madison 7.7%	▲ .4%
\$19.30	Outlying Dane East .6%	▲ .4%

Recent Transactions

Tenant	Size	Submarket	Type	Address
1 Fresenius Medical Care	83,121 SF	Kenosha	Renewal	5300 95th Avenue
2 TruMedicinal	29,929 SF	Madison	New Space	612 E Lake Street
3 Gillware	10,228 SF	East Side	Renewal	1802-1828 Wright Street
4 Second Harvest Foodbank	37,919 SF	Madison	New Space	2537 Daniels Street
5 Icon Robotics	14,575 SF	Madison	New Space	281 W. Netherwood Rd

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 5.8% remains one of the lowest in the country.



Market Trends



Raven Software signed a 50,000-SF renewal at 8476-8496 Greenway Blvd. in Middleton in 21Q1. The Middleton area, located in the Northwest Madison Submarket, has seen several larger renewals this year. In addition to Raven Software, Lucigen Corp. renewed 23,000-SF at 2220-2222 Eagle Dr. and Kosnick Financial Group renewed its 32,000-SF space at 1600 Aspen Commons.

Through the first half of the year, overall leasing activity remained muted. The total number of leases signed in the first half of 2021 mirrored levels seen in the first half of 2020, a roughly 30% contraction compared to 2019 levels. Consistent with declining levels of leasing activity, total leasing volume has continued to soften as well. Total leasing volume through the first half of the year was down more than 20% compared to 2020 and roughly 55% below 2019 levels as fewer and smaller deals occur.