

FIGURES | MADISON INDUSTRIAL | H2 2021

Sales and Lease Activity Contribute to Strong Close

▼ 2.4%
Vacancy Rate

▲ 284,210
SF Net Absorption

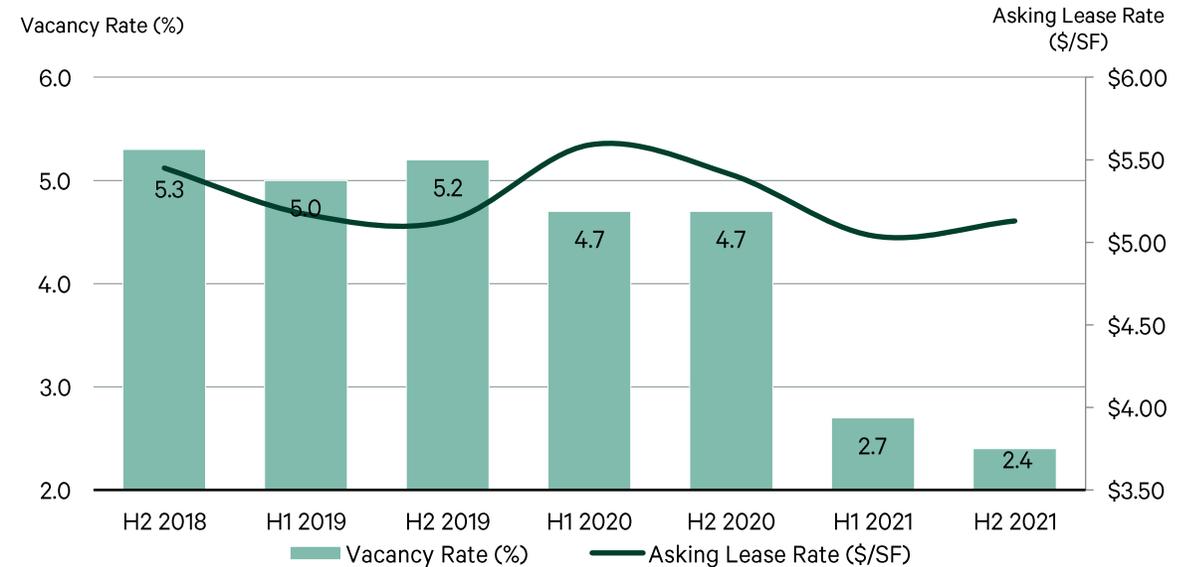
▲ 426,000
SF Construction

▲ \$5.13
Average Asking / Lease Rate

Note: Arrows indicate change from previous quarter.

- The vacancy rate decreased 30 basis points (bps) from H1 2021 to 2.4%, and the availability rate decreased 30 bps to 3.1% while the average asking lease rate increased slightly to \$5.13. The vacancy rate closed at its lowest point during the past three years.
- Year-over-year, the vacancy rate decreased 230 bps and availability decreased 160 bps, while the average asking lease rate decreased \$0.28.
- The market positively absorbed 284,210 sq. ft. of space during H2 2021. Total net absorption for 2021 was positive 108,415 sq. ft.
- There was a total of approximately 426,000 sq. ft. of projects completed in 2021 compared to approximately 425,000 sq. ft. in 2020.
- Investment sales accounted for approximately \$108.0 million of sales volume in H2 2021.

FIGURE 1: Vacancy Rate and Asking Lease Rate



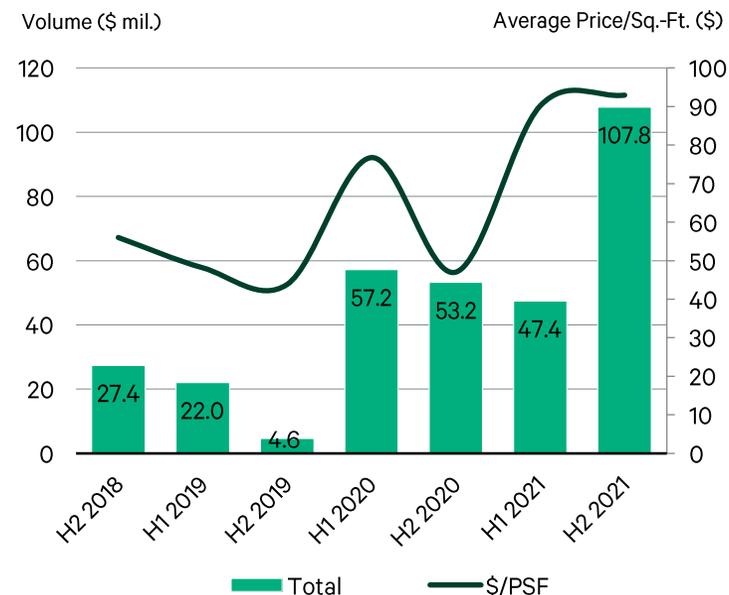
Source: CBRE Research, H2 2021

Investment Sales

Industrial investment sales volume increased for H2 2021, as 24 properties totaling 1.2 million sq. ft. sold for \$107.8 million. The average sale price was approximately \$4.5 million, or \$93-per-sq.-ft. In comparison, 15 properties totaling roughly 526,000 sq. ft. sold for \$47.4 million in H1 2021.

The largest non-portfolio investment transaction of the half was the purchase by Poynette Development, LLC of 5487 N Blue Bill Park Drive in Madison, via land contract. The 270,000-sq.-ft. manufacturing facility was sold by Webcrafters, Inc in early November for \$9.1 million. They previously occupied the property which has been vacant since 2004.

FIGURE 2: Investment Sales, H2 2018 to H2 2021



Source: CBRE Research, H2 2021.

FIGURE 3: Madison Market Industrial Statistics

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	H2 2021 Net Absorption (Sq. Ft.)	NNN Average Asking Lease Rate (\$/SF/Yr)
Madison Central	2,862,869	1.4	5.8	31,000	5.43
Madison East	19,656,667	3.4	4.6	198,662	5.47
Madison South	6,672,648	0.6	0.9	41,203	7.03
Madison West	8,528,465	3.5	3.6	43,575	4.99
Madison Subtotal	37,720,649	2.2	3.7	314,440	5.73
Rock County	17,983,905	1.6	1.6	(30,230)	3.83
Total	55,704,554	2.4	3.1	284,210	5.13

Source: CBRE Research, H2 2021.

FIGURE 4: Notable Transactions, H2 2021

Tenant/Buyer	Sq. Ft.	Type	Address
Evo Transportation & Energy Services, Inc	305,196	New Lease	2202 Vondron Road, Madison
Poynette Development, LLC	270,000	Investment Sale	5487 N Blue Bill Park Drive, Madison
Colony Brands, Inc	102,465	New Lease	200 W Venture Drive, Janesville
Bliss Innovation, LLC	93,500	Investment Sale	2855 Innovation Way, Sun Prairie
The Martin Brower Company, LLC	60,000	New Lease	4245 Capital Circle, Janesville

Source: CBRE Research, H2 2021.

Economic outlook: a note on covid-19

Continued job growth is expected to push the unemployment rate down to pre-COVID lows in 2022 amid historically low labor force participation. Inflation should ease to the mid-2% range by year-end as supply chain disruptions ease and production capacity improves.

The U.S. economy continues to expand amid the pandemic, with sturdy income growth supporting consumer spending. Business investment should remain elevated to satisfy demand and alleviate supply shortages, supporting GDP growth in the mid-4% range for 2022.

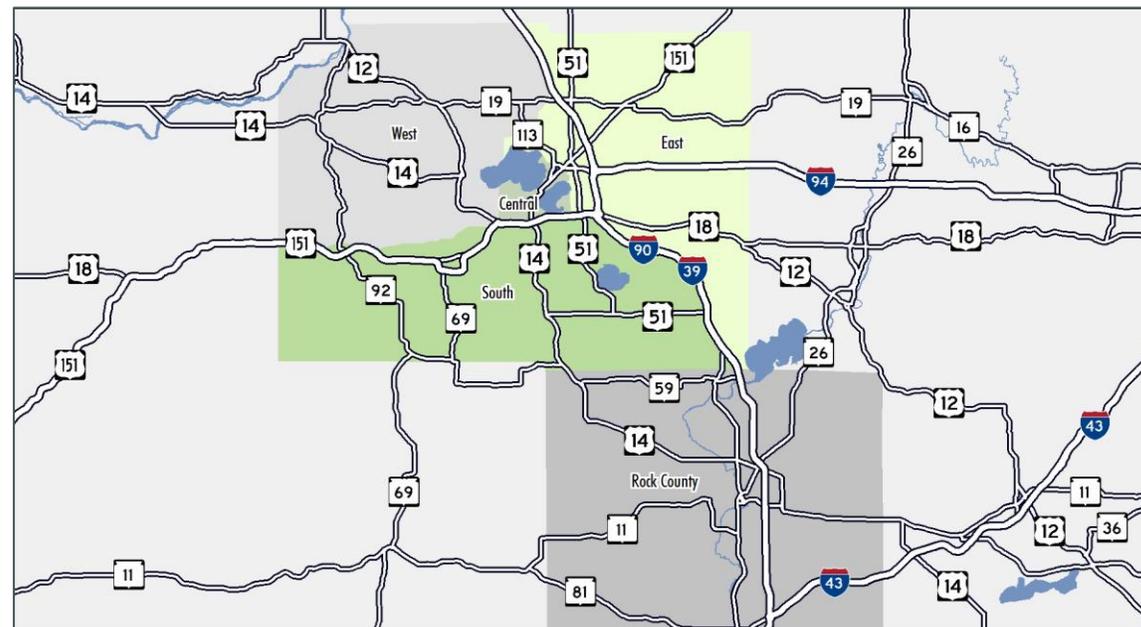
In response to higher-than-expected inflation, the Federal Reserve is expected to end its quantitative easing program ahead of schedule in Q2 and raise the federal funds rate several times over the course of the year. As the Fed raises short-term rates, 10-year Treasury bond yields could hit the mid-2% range by year-end. Nevertheless, due to countervailing forces—particularly slower labor-force growth—financial markets do not anticipate a significant uptick in long-duration yields.

Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 20,000 sq. ft. or greater. Excludes Government owned and occupied buildings, or Medical buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.



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