

# NAR Commercial Real Estate Metro Market Report | 2021.Q2

## Madison, WI

Core-Based Statistical Area Code: 31540

The Madison, WI commercial real estate market is stronger compared to the overall U.S. market.  
NAR Commercial Real Estate Market Conditions Index\* 56.8

Overall economic conditions are stronger than nationally.  
The apartment property market is stronger than nationally.  
The office property market is about the same than nationally.  
The industrial property market is stronger than nationally.  
The retail property market is stronger than nationally.  
The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

### I. Economic and Demographic

Economic	Madison, WI			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total non-farm employment ('000)	401	388	377	146,603	143,315	138,501	
Y/Y chg.in nonfarm payroll employment ('000)	24	(22)	(41)	8,102	(6,637)	(13,215)	<i>Job creation is stronger than nationally</i>
Y/Y % chg. in nonfarm payroll employment	6.4%	-5.4%	-9.9%	5.8%	-4.4%	-8.7%	<i>Unemployment rate is lower than nationally</i>
Unemployment rate (%)	3.2%	3.4%	6.6%	5.9%	6.0%	11.1%	
Average weekly wages	\$1,046	\$1,077	\$1,077	\$1,059	\$1,046	\$1,016	
Wage growth, year-over-year (data are as of last month of the quarter)	-2.9%	2.5%	3.6%	4.3%	6.7%	5.6%	<i>Wages are rising at a slower pace than nationally</i>
	2019	2018	2017	2019	2018	2017	
GDP growth (%)	2.6%	4.4%	1.9%	2.3%	2.9%	2.3%	
Median household income	\$75,545	\$70,463	\$71,301	\$87,470	\$84,423	\$81,284	
	2020	2019	2018	2020	2019	2018	
Demographic							
Net domestic migration ('000)	1.3	1.3	1.1	0	0	0	<i>Area is experiencing net domestic in-migration</i>
Population ('000)	670	666	660	329,484	328,330	326,838	
Population growth (%)	0.72%	0.81%	0.70%	0.35%	0.46%	0.53%	<i>Population is growing faster than nationally</i>

### II. Multifamily

Demand indicators	Madison, WI			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	3.3%	3.8%	3.6%	4.2%	4.7%	5.5%	<i>The area has a lower vacancy rate than nationally</i>
Absorption of units over the quarter	976	405	254	226,871	169,053	78,282	<i>The area has a faster pace of absorption than nationally</i>
Absorption of units in past 12 months	1,842	1,120	1,721	603,925	455,336	255,168	
Market asking rent per unit	\$1,268	\$1,254	\$1,239	\$1,004	\$978	\$953	
Market asking rent per unit, y/y % chg	2.3%	1.8%	2.2%	6.1%	3.9%	1.8%	<i>Rents are rising more slowly than nationally</i>
Effective rent per unit	\$1,260	\$1,248	\$1,233	\$1,000	\$972	\$945	<i>The rent to income ratio is higher than nationally</i>
Effective rent per unit, y/y % chg	2.2%	1.7%	2.7%	6.4%	3.7%	2.3%	
Rent as a percent of 2-person annual wage income	13.9%	13.3%	13.2%	10.9%	10.7%	10.7%	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Supply indicators							
Inventory	60,869	60,160	59,182	17,259,876	17,168,283	16,881,961	<i>Relatively more units are being delivered than nationally</i>
Net delivered units in past 12 months	1,687	1,664	1,640	377,954	387,779	389,240	
Net delivered units, as % of inventory	2.8%	2.8%	2.8%	2.2%	2.3%	2.3%	
Units under construction	2430	2961	2675	578,162	609,682	681,731	<i>Construction activity is more robust than nationally</i>
Units under construction, as % of inventory	4.0%	4.9%	4.5%	3.3%	3.6%	4.0%	
12-month total: 5+ unit building permits	4,143	3,105	2,010	463,443	435,217	452,345	<i>Building permits are rising faster than nationally</i>
12-month total: all building permits	6,176	5,779	3,639	1,642,586	1,574,266	1,361,395	
Ratio of jobs created to permits	3.9	(3.8)	(11.4)	4.9	(4.2)	(9.7)	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Sales transactions							
Total investment acquisitions (in million \$)	\$42.7	\$42.7	\$14.1	\$41,291.4	\$28,735.4	\$13,346.3	<i>Sales transactions are not rising as fast than nationally</i>
Transaction sales price per unit	\$140,777	\$162,313	\$48,962	\$100,508	\$98,594	\$80,364	<i>Prices are rising faster nationally</i>
Cap rate	7.5%	7.5%	7.5%	6.4%	6.6%	6.6%	<i>Cap rates are higher than nationally</i>

### III. Office

Demand indicators	Madison, WI			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	5.8%	5.6%	4.1%	6.1%	5.6%	4.1%	<i>The area has a lower vacancy rate than nationally</i>
Absorption in sq.ft. over the quarter	(59,379)	(368,670)	190,197	(9,309,111)	(51,131,309)	(13,966,267)	<i>The area has a lower pace of absorption than nationally</i>
Absorption in sq.ft. over 12 months	(479,149)	(229,573)	656,560	(140,700,116)	(145,357,270)	19,961,128	
Asking rent per sq.ft.	\$21.4	\$21.4	\$21.9	\$18.9	\$18.9	\$18.8	
Asking rent growth, y/y % chg.	-2.0%	-1.9%	4.0%	0.3%	0.0%	1.3%	<i>Rent growth is slower than nationally</i>
Leasing activity in sq.ft.	199,471	152,579	134,315	100,568,800	81,175,252	81,276,145	<i>Leasing volume is rising faster than nationally</i>
Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter)	2	(0)	(3)	1,260	(501)	(1,715)	<i>The area has slower office job creation than nationally</i>
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Supply indicators							
Inventory in sq. ft.	36,338,498	36,333,010	36,190,110	12,454,676,333	12,428,381,226	12,364,751,288	<i>Relatively fewer units are being delivered than nationally</i>
Net delivered over 12 months, in sq.ft.	148,388	218,904	385,738	87,967,591	76,138,970	78,991,496	
Net delivered units, as % of inventory	0.4%	0.6%	1.1%	0.7%	0.6%	0.6%	
Under construction in sq.ft.	202,248	207,736	148,388	177,275,188	186,528,025	209,268,041	<i>Construction activity is slower than nationally</i>
Under construction, as % of inventory	0.6%	0.6%	0.4%	1.4%	1.5%	1.7%	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Sales transactions							
Total investment acquisitions (in million \$)	\$9.2	\$16.2	\$3.4	\$23,909.8	\$21,181.7	\$11,269.3	<i>Sales transactions are rising faster than nationally</i>
Transaction sale price per sq.ft.	\$113	\$102	\$78	\$108	\$106	\$105	<i>Prices are rising faster nationally</i>
Cap rate	7.5%	7.5%	7.5%	6.4%	6.6%	6.6%	<i>Cap rates are higher than nationally</i>

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### IV. Industrial

#### Demand indicators

	Madison, WI			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	3.6%	4.1%	4.3%	4.2%	4.1%	4.3%	The area has lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	596,596	209,273	(213,091)	146,182,325	119,411,326	56,883,324	The area has lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	1,048,689	239,002	(436,357)	437,432,148	348,133,148	231,052,238	
Asking rent per sq.ft.	\$6.4	\$6.3	\$6.1	\$6.5	\$6.4	\$6.1	Rent growth is slower than nationally
Asking rent growth, y/y % chg.	3.6%	2.6%	3.0%	5.2%	2.6%	3.0%	Leasing volume is rising faster than nationally
Leasing activity in sq.ft.	566,223	378,653	332,367	319,474,044	296,163,970	254,024,482	

#### Supply indicators

Inventory in sq. ft.	69,969,536	69,686,536	69,366,268	26,553,663,022	26,461,805,496	26,166,021,757	
Net delivered over 12 months, in sq.ft.	543,268	302,332	205,884	385,387,457	398,260,005	382,527,483	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	0.8%	0.4%	0.3%	1.5%	1.5%	1.5%	
Under construction in sq.ft.	792,670	974,420	868,092	567,307,627	521,498,024	452,528,658	
Under construction, as % of inventory	1.1%	1.4%	1.3%	2.1%	2.0%	1.7%	Construction activity is slower than nationally

#### Sales transactions

Total investment acquisitions (in million \$)	\$57.5	\$20.8	\$15.6	\$27,261.9	\$21,600.7	\$13,713.9	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$68	\$81	\$57	\$61	\$56	\$54	Prices are rising faster nationally
Cap rate	7.5%	8.0%	9.0%	7.4%	8.0%	9.0%	Cap rates are higher than nationally

### V. Retail

#### Demand indicators

	Madison, WI			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	4.2%	4.9%	4.2%	4.3%	4.5%	4.2%	The area has a lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	289,528	(139,014)	(14,958)	26,554,046	6,829,628	(12,969,003)	The area has a lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	95,361	(209,125)	(156,414)	12,853,280	(26,669,769)	5,842,298	
Asking rent per sq.ft.	\$15.5	\$15.6	\$15.7	\$14.5	\$14.5	\$14.3	
Asking rent growth, y/y % chg.	-1.1%	-0.6%	1.2%	1.4%	1.0%	1.5%	Rent growth is slower than nationally
Leasing activity in sq.ft.	161,083	191,500	30,322	65,144,289	60,598,011	44,924,273	Leasing volume is rising faster than nationally
Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter)	(0.50)	(2.80)	(2.10)	822.30	(1,100.50)	(245.60)	The area has stronger retail trade job creation than nationally

#### Supply indicators

Inventory in sq. ft.	40,328,592	40,328,592	40,218,333	15,772,300,571	15,764,713,778	15,724,204,780	
Net delivered over 12 months, in sq.ft.	100,259	114,308	344,289	46,178,397	47,102,191	58,535,237	Relatively fewer units are being delivered than nationally
Net delivered units, as % of inventory	0.2%	0.3%	0.9%	0.3%	0.3%	0.4%	
Under construction in sq.ft.	172,621	110,918	88,259	55,829,483	58,628,746	71,303,691	
Under construction, as % of inventory	0.4%	0.3%	0.2%	0.4%	0.4%	0.5%	Construction activity is more robust than nationally

#### Sales transactions

Total investment acquisitions (in million \$)	\$85.7	\$36.1	\$12.5	\$20,811.7	\$15,469.2	\$8,857.2	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$111	\$72	\$67	\$134	\$136	\$134	Prices are rising faster nationally
Cap rate	7.5%	7.1%	7.0%	6.6%	6.6%	6.7%	Cap rates are higher than nationally

### VI. Hotel/Lodging

	Madison, WI			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Leisure and hospitality payroll workers ('000)	31.4	24.7	26.8	15,395.0	13,448.0	12,637.0	Job creation in the leisure industry is stronger than nationally
Y/Y change ('000)	4.6	(11.5)	(13.8)	2,758.0	(2,297.0)	(4,590.0)	
% share to nonfarm payroll employment	7.8%	6.4%	7.1%	10.5%	9.4%	9.1%	The area has a smaller share of leisure jobs than nationally

\*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g. employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.