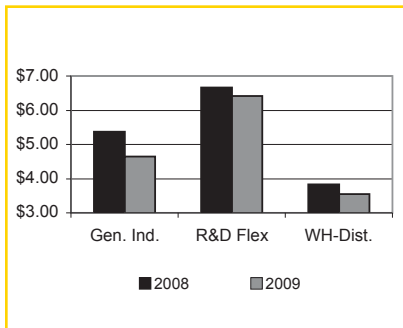


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### Asking Rental Rates by Subtype



### Madison Industrial Market Trends

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## Market Deteriorates; Recovery in 2010?

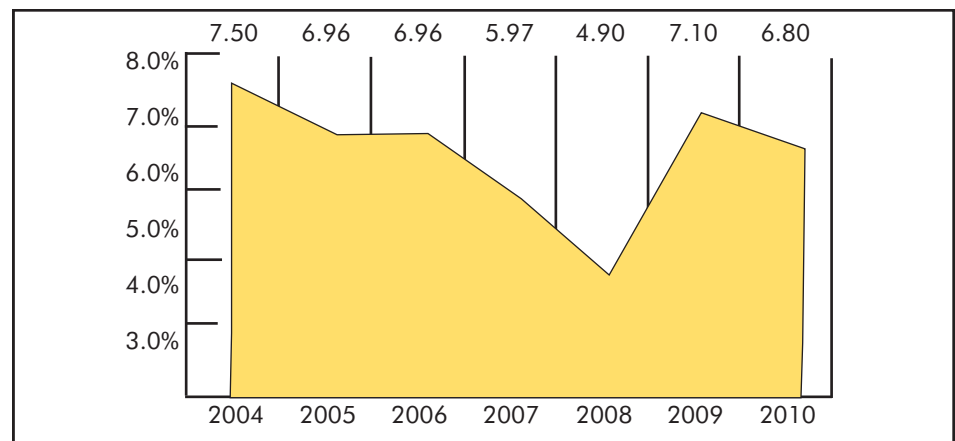
Madison's industrial market was hammered by the global recession in 2009 as downsizing, consolidations and plant closings pushed vacancy above 7 percent on the heels of 604,000 square feet of negative absorption. The outlook for 2010 and beyond is considerably more optimistic as we expect the Industrial sector to be at the forefront of the economic recovery.

The softening in the Downtown submarket accelerated this past year as vacancy skyrocketed to 19 percent, a 64 percent increase from the prior year. Equally troubling was the performance of the Far West submarket. In 2008, the Far West saw vacancy dwindle to 2.7 percent; however the emptying of GE Lunar's 163,000-square-foot facility helped push vacancy to 6.6 percent, its highest point in 5 years.

The tightening of consumer spending and the subsequent slowing of manufacturing had a profound effect on the North East and South East submarkets as vacancy escalated to 6.8 and 9.3 percent, respectively.

The lone bright spot for the Industrial sector can be found in the South submarket where vacancy fell to 3.2 percent. Unlike the other submarkets, the South was able to side step the loss of a large user and benefited from owner occupants purchasing deeply discounted properties.

The substantial increase in vacancy and limited leasing activity throughout the market forced landlords to significantly drop asking rents over the last 12 months. The ferocity of the decline runs parallel to the subtype's performance as General Industrial and Warehouse/Distribution asking rents plummeted 13.5 and 7.3 percent. Asking rents aren't likely to recover until mid-to-late 2010 as the pace of absorption quickens.



**Overall Madison Industrial Vacancy Rate\***

\* All Types of Space

### CONSTRUCTION & ABSORPTION

#### Completions Fall Just Short of Five-Year Average

Construction completions fell slightly in 2009 to just under the 5-year annualized average, totaling 424,000 square feet. Two of the larger completions, Full Compass on Madison's Westside and Datastore in Sun Prairie were for owner-occupants and accounted for over half of the completed square footage. Speculative development was virtually non-existent, with just one property completed in the last 12 months. In 2010, the Incubator sector will grow 25 percent as the University Research Park welcomes the 80,000-square-foot Accelerator facility.

#### Market Fundamentals Dip as Recession Takes Its Toll

The contraction of consumer spending and the burst of the housing bubble started a chain reaction of events that contributed to Madison's negative 604,000 square feet of absorption. The South East submarket, Madison's worst performing this past year, reeled as 84 Lumber's McFarland facility closed just one year after its completion. This closing combined with Ozburn Hessey's departure from the market accounted for 274,000 square feet of negative absorption or three-quarters of the submarket's negative tally. The Far West submarket couldn't escape the economy's rampage as GE Lunar consolidated its operations into its eastside facility, causing absorption in the Far West to plummet to negative 150,000 square feet.

The decline of the Downtown industrial market peaked in 2009 as Madison Dairy closed their doors and Sears vacated their former service center on Fordem Avenue. Vacant properties in the Downtown submarket, like Madison Dairy in 2009 and Morningstar Foods a couple years ago, are more likely to be re-developed than re-leased causing vacancy and absorption to linger in this submarket until the economy stabilizes and development activity returns.

Absorption in the North East submarket totaled negative 20,000 square feet, which by 2009 standards is considered a relative success. This submarket benefited from the completion of two facilities in the Sun Prairie Business Park, Datastore and 4 Lakes Label. Offsetting these occupancies was the departure of Big Joe Manufacturing and Datastore from their Pepsi Way properties. In the diverse South submarket, a framing company, a biotech firm, and an antique store accounted for nearly all of the 73,000 square feet of positive absorption.

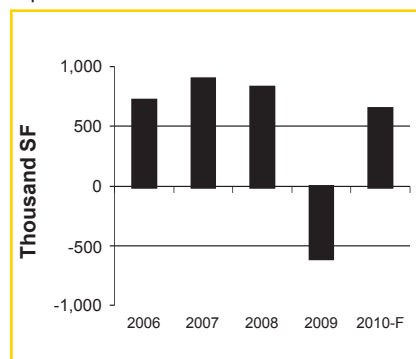
We expect that Madison's industrial market will be among the first sectors to rebound, resulting in a more optimistic outlook for 2010. The lack of any substantial speculative construction for the second year in a row will assist the market in its recovery.

#### Projects Completed in 2009

Bldg. Name	Submkt.	Sq. Ft.
Jaeckle Expansion	SE	40,000
PODS Building	SE	27,000
3025 S. Stoughton Rd.	SE	19,500
DataStore	NE	87,000
4 Lakes Label	NE	36,400
Full Compass	FW	140,000
Mentor Biologic	FW	37,000
Hooper Expansion	D	37,000

#### Absorption by Year

Square Feet



Submarket	Overall Size (Sq. Ft.)	Vacant Square Feet	Vacancy Rate	Net Absorption
Downtown	2,212,976	421,331	19.04%	(129,450)
Far West	8,102,243	537,944	6.64%	(150,286)
North East	14,613,945	992,437	6.79%	(20,354)
South	9,653,100	310,836	3.22%	73,008
South East	9,121,700	844,429	9.26%	(376,427)
Total	43,703,964	3,106,977	7.11%	(603,509)

# Industrial Trends Report—Fourth Quarter 2009

## Madison Market



### General Industrial

No. of Sales	19
Avg. Bldg. Sq. Ft.	39,965
Avg. Sale Price/Sq. Ft.	\$47.25
Price Range/Sq. Ft.	\$28 - \$140
Buyer Type	7 Investors 12 Occupants

### Warehouse/Distribution

No. of Sales	2
Avg. Bldg. Sq. Ft.	152,181
Avg. Sale Price/Sq. Ft.	\$32.36
Price Range/Sq. Ft.	\$28 - \$81
Buyer Type	1 Investor 1 Occupant

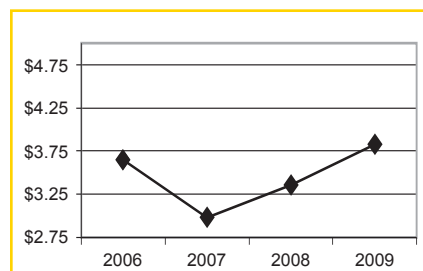
### R&D Flex

No. of Sales	3
Avg. Bldg. Sq. Ft.	41,948
Avg. Sale Price/Sq. Ft.	\$33.14
Price Range/Sq. Ft.	\$25 - \$37
Buyer Type	1 Investor 2 Occupants

### Totals

No. of 2009 Sales	24
Total Bldg. Sq. Ft.	1,189,548
Total Dollar Volume	\$49.9 M

### Average Industrial Land Prices



## BUILDING & LAND SALES

### Dollar Volume Nearly \$50 Million, Number of Transactions Down

The number of industrial building sales fell 30 percent in 2009 to just 24 transactions, the lowest total since 2001. Despite the significant drop in the number of transactions, dollar volume rose to just below \$50 million thanks in large part to four transactions surpassing \$6.7 million each.

Two large sale-leaseback transactions helped buoy the dollar volume for building sales in 2009. Angelo, Gordon & Co. purchased the Conney Safety headquarters and distribution building in a sale-leaseback transaction in early 2009. The New York investment firm paid \$6.7 million for the 127,000-square-foot facility in Madison's South submarket. AIC Ventures, an investment fund manager specializing in sale-leaseback transactions, purchased a 236,000-square-foot food processing plant in Sun Prairie for \$8 million in February 2009. The plant was owned and continues to be occupied by Wisconsin Food Gift Company.

In late 2009, T. Wall Properties' acquired the former GE Lunar facility for \$7.5 million. The 163,000-square-foot building was built in 1999 and was assessed at nearly \$11 million just two years ago. This Far West building sits on nearly 17 acres and consists of 73,000 square feet of warehouse/production space and 90,000 square feet of quality office space.

True North Investments, LLC, an industrial real estate acquisition, property management and development company from Downers Grove, Illinois, purchased two warehouse/distribution buildings on one parcel at 4718-4722 Helgesen. The buildings, totaling 282,000 square feet, sold for just under \$8 million. Prior to the sale, Ozburn Hesse Logistics vacated the larger of the two buildings, emptying 162,000 square feet. This same property traded for \$9.75 million as a fully occupied investment sale in May of 2005.

### Limited Activity but Higher Prices

The scarcity of capital and today's prolonged carrying costs of purchasing land dissuaded buyers in 2009 as acreage sold plummeted to just 13 acres. The average price for land jumped to \$3.83 per square foot but with just four sales to calculate from, we would hesitate to say that land prices are really on the rise. As the economy improves and optimism begins to creep back into the sector, demand for industrial land will escalate and prices should follow albeit to a lesser extent than the 13 percent increase experienced in 2009.

## INDUSTRIAL MARKET TERMS AND DEFINITIONS

**Inventory:** Industrial inventory includes multi-tenant, single tenant and owner-occupied buildings of at least 10,000 square feet.

**Construction Type:** Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant. Owner-occupied is owned and built by the owner for its own use.

**Industrial Building Classifications:** Industrial buildings are categorized as General Industrial, Warehouse/Distribution, R&D/Flex and Incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

**Vacancy:** The vacancy rate is the amount of physically vacant space divided by the inventory. A rate of 8% is thought to be the equilibrium point in the marketplace at which neither landlords nor tenants command a distinct negotiating advantage.

**Net Absorption:** The net change in physically occupied space over a period of time; absorption is affected by changes in inventory size and vacancy.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

**Average Weighted Asking Rent:** An average market rent where the asking rent for each building in the market is weighted by the building size.

# Industrial Trends Report—Fourth Quarter 2009

## Madison Market



### MAJOR TRANSACTIONS

Grubb & Ellis|Oakbrook is pleased to announce that it represented the following companies in 2009 transactions:

<b>Walco International</b> Tenant Representation 69,343 SF Warehouse Lease 613 Atlas Ave., Madison	<b>Preferred Management</b> Landlord Representation 4,800 SF Industrial Lease 4726 E. Broadway, Madison	<b>KC Ventures, LLC</b> Landlord Representation 5,500 SF Industrial Lease 403 Venture Ct., Verona
<b>Crown Equipment Corp.</b> Tenant Representation 11,000 SF Warehouse Lease 5401 Voges Rd., Madison	<b>Ryder Truck Rental</b> Tenant Representation 11,646 SF Industrial Lease 2231 Enterprise, LaCrosse, WI	<b>UPS Supply Chain Solutions</b> Tenant Representation 5,000 SF Industrial Lease 4425 Robertson Rd., Madison
<b>JLP Real Estate, LLC</b> 10,900 SF Industrial/Showroom \$834,800 Sale 5356 King James Way, Fitchburg	<b>Husmann Corporation</b> Tenant Representation 16,000 SF Industrial Lease 5817 Femrite Dr., Madison	<b>Pinnacle Enterprises, LLC</b> Landlord Representation 2,000 SF Industrial Lease 5510-5516 Highway CV, Madison

*Grubb & Ellis|Oakbrook is a wholly-owned subsidiary of Oakbrook Corporation. Together these companies provide a broad range of commercial and residential real estate services throughout the Midwest including tenant and buyer representation, project leasing, acquisition and disposition, property management, construction management, development and consultation. Each of these services is staffed by highly regarded professionals focused on providing value for our clients throughout all phases of our assignments.*

