

BOULDER MARKET

THIRD QUARTER 2022
MARKET UPDATE



RUMBLINGS AROUND THE OFFICE...

We are cautiously optimistic heading into the fourth quarter. Despite the ongoing economic headwinds and 57% of the county think we are headed for a recession; Boulder County seems poised to weather the pending uncertainty. The entrepreneurial culture and diversified economies continue to be a safety net. Ninety-Seven percent (97%) of all Boulder companies are fifty employees or less, and of Colorado's top twenty start-ups to watch, seven of those companies call Boulder home.

While office leasing has slowed dramatically, Life Science development is full steam ahead. Approximately 2.5- 3.0 million square feet of construction is either underway or in the pipeline along the Boulder/Denver corridor. This production, especially of Life Science clusters and GNP opportunities, will be a big boost to attracting more companies to our market and create even more demand for the R&D product Boulder provides.

Sales activity was strong despite the number of total transactions declining compared to second quarter. The large deals continued with 1685-1775th 38th Street selling for nearly \$85 million and the average cap rate for all sales fell just under 6%. Given the climbing interest rates, we anticipate the delta between buyers and sellers to widen, but also expect the institutional ownership groups to continue their appetite to buy Boulder.

The upcoming elections have several important issues as it specifically relates to commercial real estate. First, the Library District and why it is important: If this passes, the district will be funded by a 3.5 mill property tax levy applied to all properties within the district boundaries. This equates to an annual increase of \$92 per \$100,000 of commercial property value and \$23 per \$100,000 of residential value. We love what the library represents and provides a community, but becoming its' own district does not seem like the best solution.

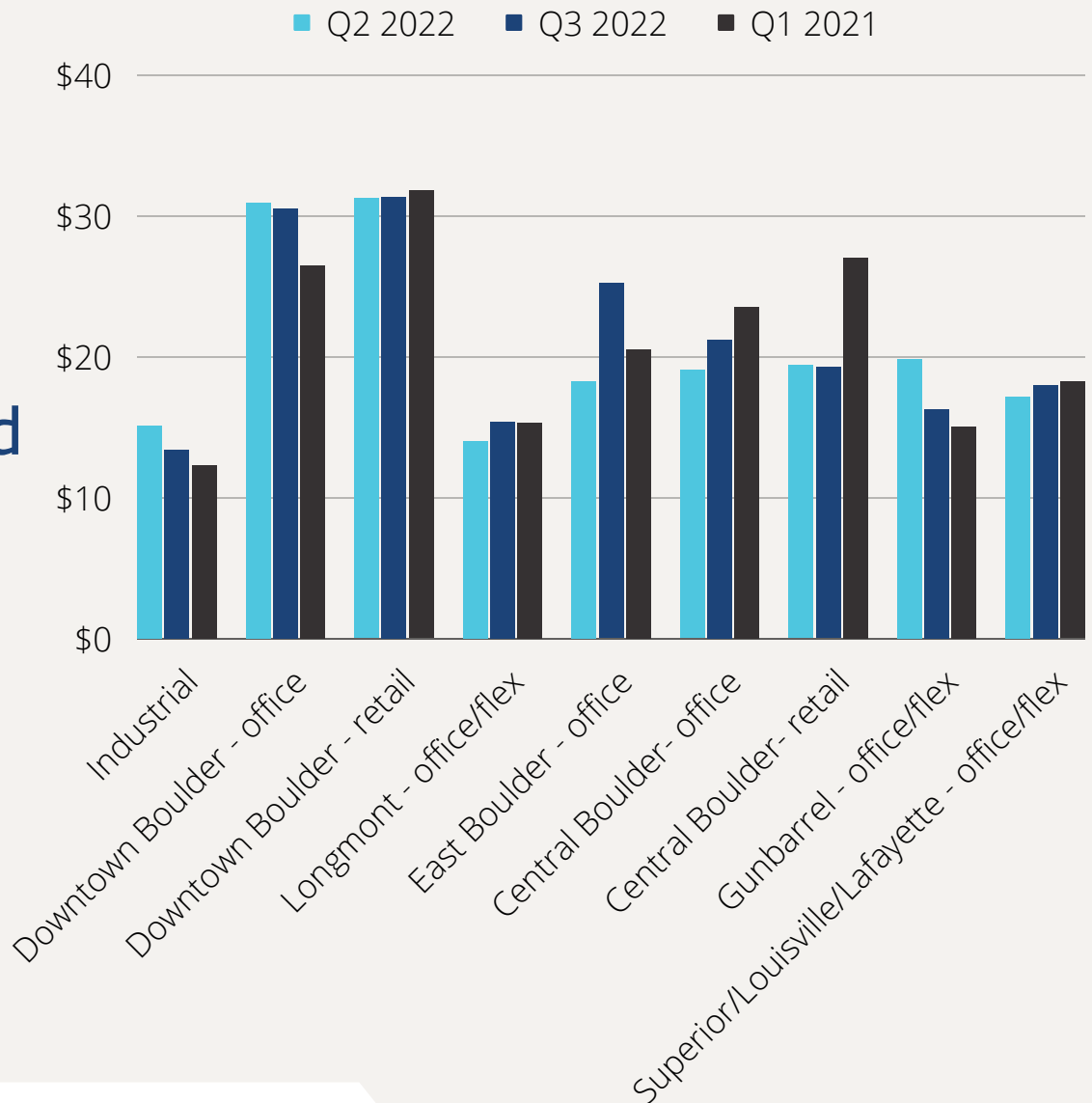
Also important is CU South: This has been an ongoing struggle between the City and the University. Bottom line, voting NO will allow CU to mitigate the necessary flooding issues in nearby neighborhoods, dedicate over 100 acres to open space and build more affordable housing for the likes of grad students, professors and other employees at the University.

Fall things we are looking forward to: the Avalanche opening the season to defend their Stanley Cup title, the first snowfall, eating at the newly re-opened Brasserie Ten Ten, CU Buffs basketball season, and the first snowfall.



BOULDER COUNTY SNAPSHOT

Average Lease Rates of Completed Deals (NNN)



OFFICE TODAY

Boulder County Office Market: 10,550,000 square feet

Office Vacancy Total: 2,321,000 square feet, 22%


Office Sublease Total: 1,100,000 square feet, 10.4%

Total Vacancy: 3,421,000 square feet, 32.4%

calculations based off 1000+ square feet

SALES

**for Boulder County- does not include land, hospitality, student or multi-family*

 DEAN CALLAN & COMPANY INC	Sales Volume	Cap Rate Average	Total Number of Transactions
Q3 2022	\$175,000,000	5.60%	42
Q2 2022	\$250,000,000	6.10%	64
Q1 2021	\$160,000,000	6.80%	50
Q1 2019	\$134,000,000	6.90%	89

SALES VOLUME
PROJECTION:



CAP RATE
PROJECTION:



TRANSACTIONS
PROJECTION:



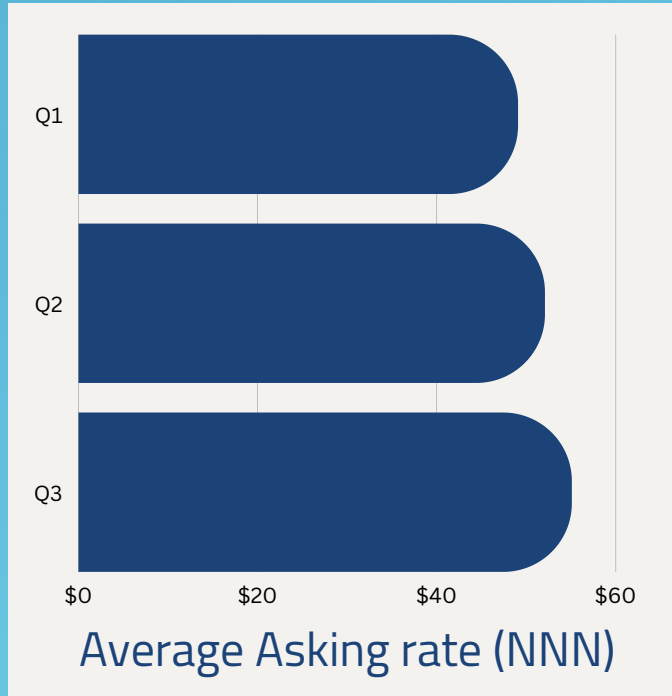
Interesting to Note:

The cap rate average was surprisingly lower in the third quarter due to the Breakthrough acquisition of 1685 -1775 38th Street of a sub 4% cap which represented almost half of the entire sales volume.

LIFE SCIENCE

For Q3, demand in Boulder Corridor is 1.4 million square feet

Current average Life Science requirement in the market is under 25,000 square feet



In Process:

SteelWave is planning lab space at 2990 Wilderness, Beacon Capital is undergoing permitting for several lab spaces at Pearl East Business Park. NexCore announced plans for their Hatch Labs concept at 2880 Wilderness—the first small lab-ready space with common amenities to be offered in Boulder. Biodesix started construction on their 80,000 SF lab space in the former Kohl's retail box store in Louisville.

BioMed Realty broke ground at 5505 Central in September. This will be a 55,000 square foot state-of-the-art Life Science building in Flatiron Park



To Watch:

- Funding for Biotech companies in 2022 is in sharp contrast to 2021. Year to date funding is 36% below 2021 peak.
- According to Pitch Book, nearly \$4 Billion has been raised for Life Science focused funds.
- Colorado BioScience Association has shared excitement for the cell and gene therapy research as this sector accelerates into a new age of innovation.
- There is between 2.5-3 Million square feet of planned Life Science development in the pipeline for Boulder/Denver corridor.

INDUSTRIAL

5000+ square feet, includes loading, majority warehouse, distribution, R&D, or manufacturing

Total Square Feet: 14.3 Million

Q3: 5.8% vacant

2021: 2.77% vacant

Things to Note:

- Over 200,000 square feet was added to the market which includes:
 - 633 CTC Boulevard: 133,000 square feet of distribution space
 - 769 CTC Boulevard: 95,000 square feet available as of July 2022

Average Asking Lease Rate: \$12.84NNN

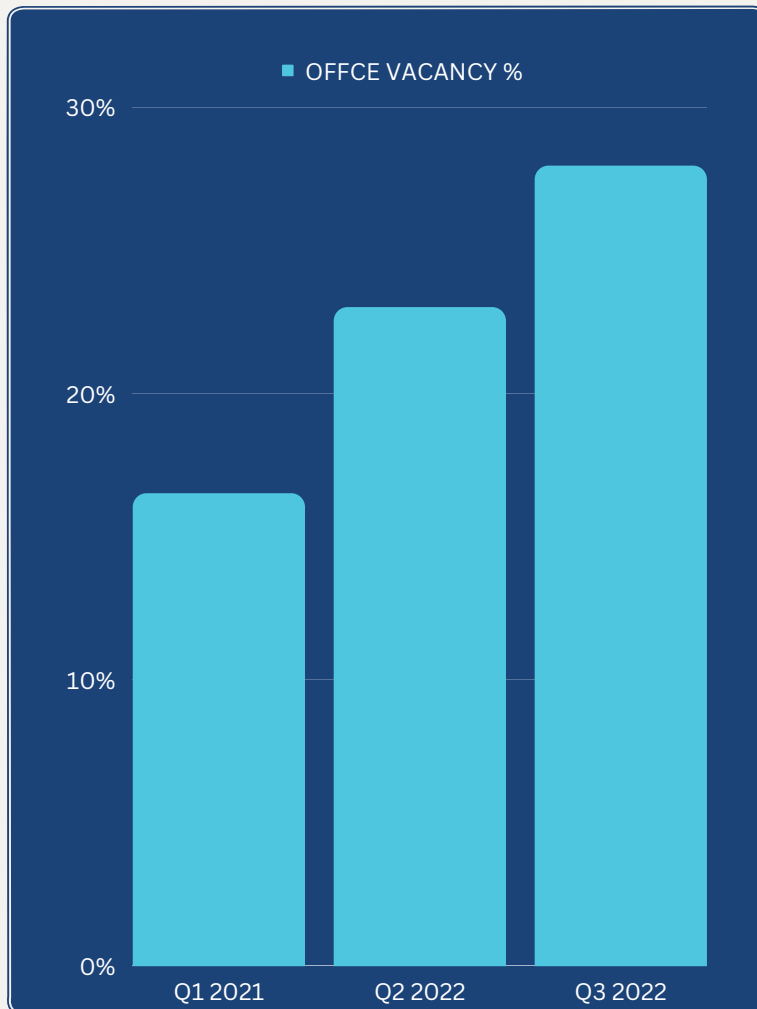


769 CTC Boulevard



633 CTC Blvd

DOWNTOWN BOULDER



Office: 27.94% vacancy rate,
a 1.48% increase from last
quarter

AVERAGE ASKING LEASE RATE:
OFFICE: \$29.81NNN
RETAIL: \$31.87NNN

Retail

The attraction to Boulder hasn't slowed down for outdoor apparel companies. La Sportiva is moving into 2100 Broadway and Amundsen Sports is now open at 2023 17th St.

On the Hill, Rosenberg's and Sherry's Soda Shoppe closed their doors, both lasting just over a year.

Küper Wine Bar and Landline Doughnuts both opened in Longmont with tons of excitement!

VACANCY TRENDING:  LEASE RATES: 

OFFICE	Total SF	Vacancy	Subleases Done	Number of Transactions
Q3 2022	1.7 Million	27.94%	1	5
Q2 2022	1.7 Million	26.46%	1	7
Q1 2021	1.7 Million	16.55%	3	12

CENTRAL BOULDER

Central Boulder - OFFICE	Total SF	Vacancy %	Number of Transactions	Lease Transactions over 5000 SF	Asking Lease Rate Range (NNN)
Q3 2022	2,100,000	12%	8	2	\$28.00-\$40.00
Q2 2022	2,100,000	11%	13	2	\$18.00-\$35.00
Q1 2021	1,980,000	11%	5	1	\$15.00-\$27.00

Central Boulder vacancy has remained relatively the same over the course of 12 months

Notable Transactions:

Esource moved into 7,759 square feet at 3020 Carbon

Copper Labs moved into 7,088 square feet of space at 3005 Sterling Cir

LEASE RATES PROJECTION:



VACANCY PROJECTION:



EAST BOULDER

East Boulder - OFFICE	Total SF	Vacancy %	Number of Transactions	Lease Transactions over 5000 SF	Average Asking Lease Rate
Q3 2022	2,000,000	19%	8	4	\$23.16
Q2 2022	2,222,010	23%	4	0	\$28.66
Q1 2021	2,222,010	21%	7	3	\$20.73

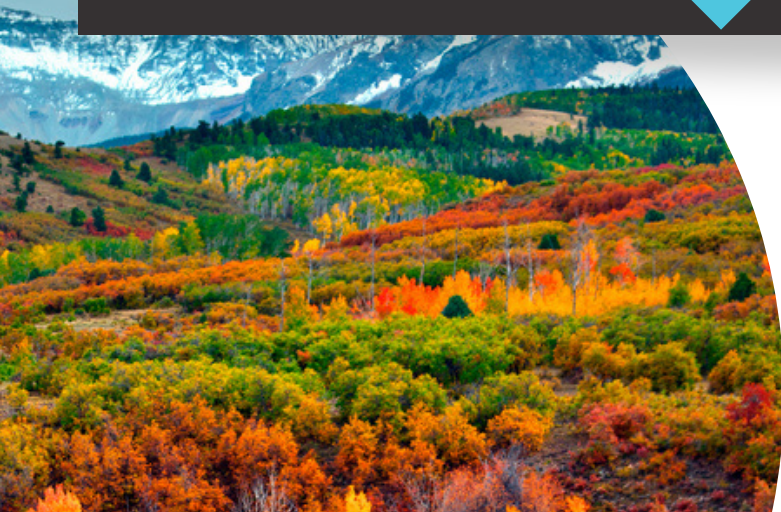
**The total square footage is declining as office space is converted to lab space*

**The asking lease rates for office DOES NOT reflect Life Science*

LEASE RATES PROJECTION:



VACANCY TRENDING PROJECTION:



GUNBARREL, LONGMONT & LOUISVILLE/LAFAYETTE/SUPERIOR

flex/office

Total square feet in Longmont: 1,500,000

Total square feet in Gunbarrel: 951,000

Total square feet in Louisville/Lafayette/Superior: 1,800,000

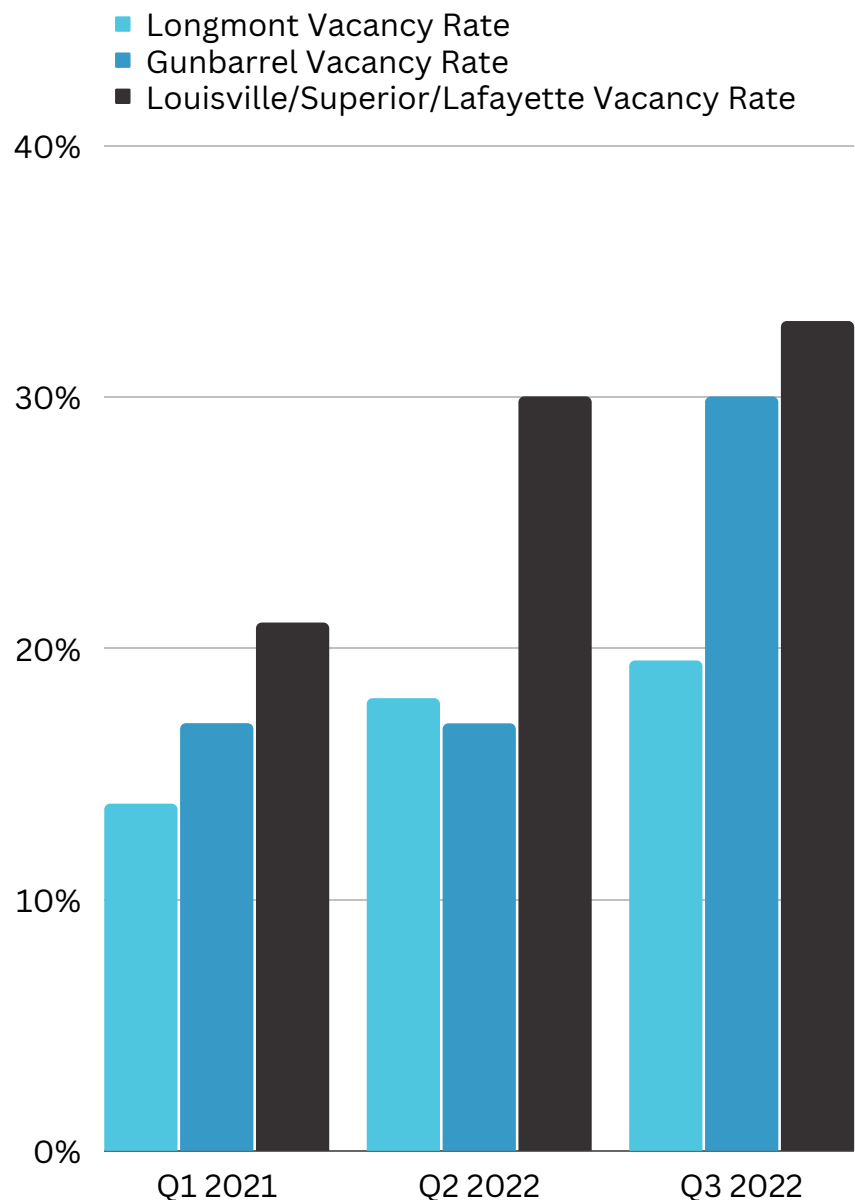
AVERAGE ASKING LEASE RATE (NNN) Q3:

LONGMONT:
\$15.89

GUNBARREL:
\$15.85

LOUISVILLE/
SUPERIOR/
LAFAYETTE:
\$17.11

VACANCY
PROJECTION:



OTHER HAPPENINGS DURING Q3

Only nine lease transactions

above 5,000 square feet were completed this quarter. A notable deal was 6170 Longbow Dr in Gunbarrel for 22,066 square feet where the current tenant on the main floor, Northrop Grumman expanded.

Breakthrough paid \$85M for Boulder campus at 1685-1775 38th St that will be repositioned into Life Science. The campus will be dubbed "Boulder 38" by Breakthrough.

In nearby Louisville,

Denver-based developer Brue Baukol Capital Partners LLC is planning to build Redtail Ridge, a mixed-use project on the roughly 400-acre, long-vacant, former Phillips 66 (NYSE: PSX) that will be designed to attract biotechnology tenants, and 1.5 million square feet. The City of Louisville is still making noise about the project, so Brue Baukol is not in the clear quite yet on this highly controversial site.



Boulder 38

DEAN CALLAN & CO Q3 UPDATES

Since 1963, our Dean Callan logo has only been modified four times. In September we introduced our newest logo! As a part of this refreshing process, we will also launch our new website in the fourth quarter.

Let us know your thoughts!



Some of our Newest Listings:

Christian Smith (christian@deancallan.com)
[1112 Pearl St - office space for lease](#)
[1526 Spruce St - office for sale](#)
[Walgreen's at Village Square in Louisville - for sale](#)
Beau Gamble (beaugamble@deancallan.com)
Kevin Nelson (knelson@deancallan.com)
[6899 Winchester - office/flex building for sale or lease](#)
[1200 Diamond Cir - flex space for lease](#)
Becky Callan Gamble (bgamble@deancallan.com)
[2880 Wilderness - Hatch Labs @ Wilderness Place](#)
Hunter Barto (hbarto@deancallan.com)
Dryden Dunsmore (dryden@deancallan.com)
[1831 Lefthand Cir - office/flex space for lease](#)
[1200 Fordham St - flex space for lease](#)
[1811 Lefthand Cir - warehouse for lease](#)
[1380 Forest Park Cir - fully furnished office space for lease](#)
[1501 Nelson Road - industrial building for lease](#)
[2569 Park Lane - office building for sale](#)



1380 Forest Park Cir

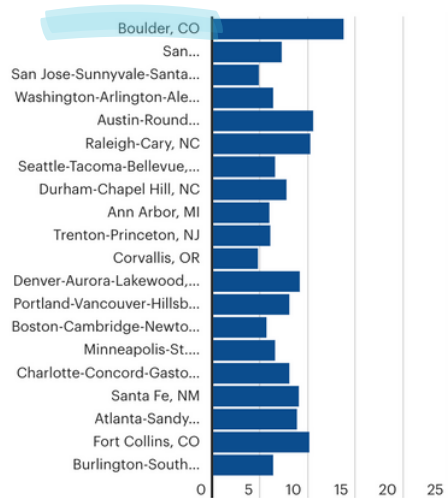
BOULDER IN THE NEWS...

Boulder/Denver's ability to attract skilled technology workers landed on a list of the top 46 tech cities across the globe and the Top 16 in the United States. (BizJournals)

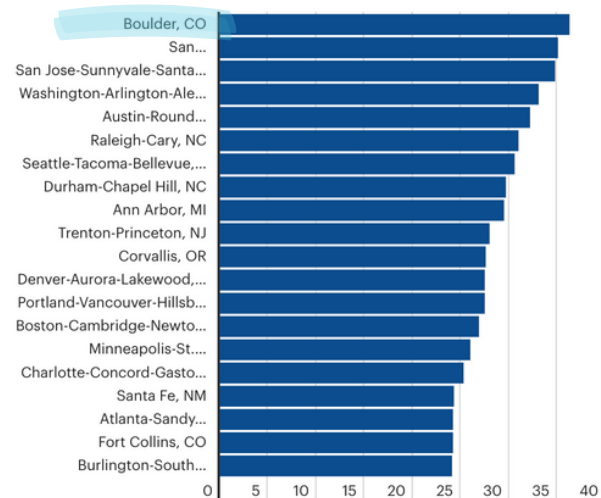
Denver/Boulder ranked No. 10 on a list of top life science markets in the U.S., according to a mid-year report from real estate firm Newmark Knight.

Startup Genome, an innovation policy advisory and research firm, listed Denver and Boulder together this year as one of the top agtech and foodtech ecosystems in the world. The cities ranked No. 5 in the firm's Global Startup Ecosystem Report: Agtech & New Food Edition and were listed behind some the world's biggest tech hubs: Silicon Valley, New York City, London and Tel Aviv.

US Census Bureau American Community Survey shows data that work from home has spiked 36.3% from 2019 to 2021, with Boulder leading the market with the biggest share.



Source: U.S. Census Bureau American Community Survey



Source: U.S. Census Bureau American Community Survey



Keep An Eye On These BOULDER COUNTY COMPANIES:

- Atom Computing opened a new quantum site in Boulder and plans to invest \$100M in Colorado. The company's new 17,000 square foot building is its largest facility and has enough space for 12 labs to hold multiple generations of its future quantum computers. Atom Computing says they plan to be in Boulder for the long-term and could also take over additional floors and adjacent buildings in Flatiron Park.
- Boulder's Think Bioscience raised 17 million.
- Ocelot, a Boulder-based company that facilitates communication between universities and their students, raised \$117 million in its first-ever outside investment.
- Biodesix Inc experienced a 52% year-over-year core revenue growth.
- Blockchain firm Blackstar Enterprise Group Inc. (OTCQB: BEGI) launched a \$1.58 million stock offering.
- Sovrn Holdings raised \$35.5M.
- Boulder pet food startup, Bond, raised \$17.5M to scale production, triple headcount... The vegan pet food market is expected to grow from about \$9 million in 2020 to nearly \$16 million by 2028.
- Arpeggio Biosciences raised \$17 million in Series A financing to bolster its technology that provides a mechanistic understanding of how drugs work.
- Boulder-based Odyssey Energy Solutions raised \$5.34 million to streamline renewable energy projects in developing economies across the world.
- Gravitee, an API management and security platform based here, closed its Series B funding round with a total of \$30 million of investments.
- ThreatX raised \$30 million in Series B financing to further develop its platform that blocks complex cyberattacks against web applications and application program interfaces, or APIs.

Boulder County companies on the Ink 5000: Top Growing Companies across USA

Integrative Psychiatry Institute 4,387%
Ned 1,622%
RASA 1,603%
Whole Sol 1,239%
AgileSherpas 764%,
Stream.io 536%
Ivy.ai 525%
Kokopelli Outdoor 363%
Bonusly 273%
Quality Biomedical 222%
Bradzooka 177%
Paleovalley, 176%
Wana Brands 166%
Yasso 124%
Scott's Cheap Flights 123%
Bobo's Oat Bars 110%
Ward Electric Company 102%
Visiqua 88%
Codence 86%
Weird & Co 85%



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