

BOULDER MARKET

2022 YEAR REVIEW



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RUMBLINGS AROUND THE OFFICE...

Dubious economic outlook and the continuous challenges bringing office workers back, married with record sales figures, makes Boulder once again an interesting market. This was the year of high-water marks for Boulder. Largest single transaction over \$620 million followed by numerous other significant sales keeping Boulder County on many investors radar screens. Most of this big investment money is chasing the Life Science industry. According to the FMI Consulting, Life Science is part of the "New Economy" thanks in part to nearly 60% of adults using at least one prescription drug on a regular basis... no surprise Life Science is an asset class here to stay.



While we would like to lean into normalcy for the office sector, there still is no defined term for normal and we may all never agree what "normal" means regarding when to go to the office, who goes to the office and what an office looks like. This will force leaders to make important decisions regarding their real estate from space optimization to work force models. In the meantime, sublease numbers will continue to rise and impact office vacancy for at least the remainder of 2023 and likely deep into 2024.

Six taxes on the Boulder ballot passed this Fall with the most notable impacting both commercial and residential real estate is the library district. Regarding commercial, the operating expenses are already pushing the envelope for many small companies to absorb and this increase won't help... Especially Downtown when taxes are already so high.

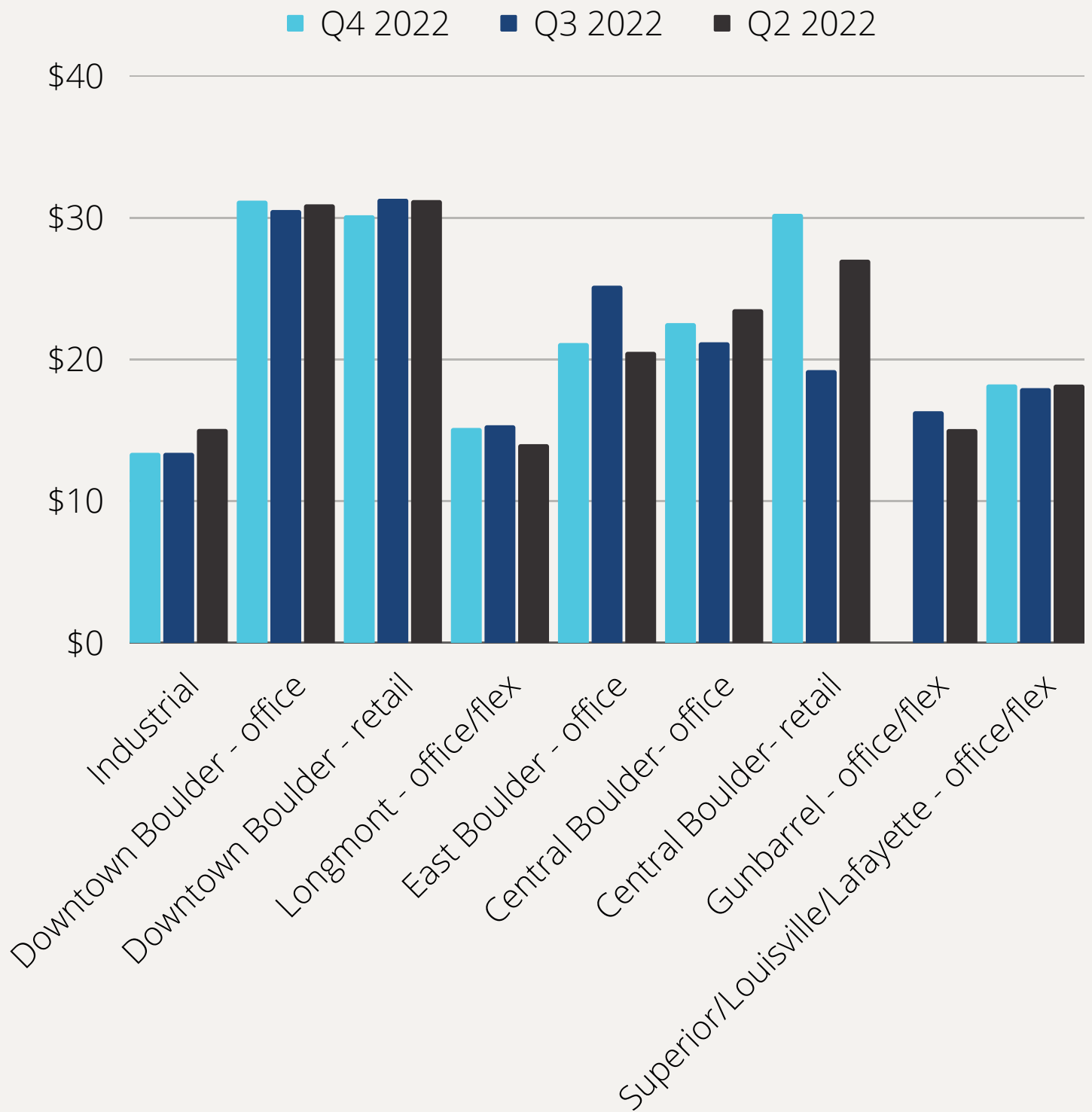
As usual, it's good to have your city home to a world renown research university. CU's vibrant ecosystem generated \$658 million in gift and awards including \$474 million from federal agencies.

And finally, speaking of the University; maybe the most exciting news for Boulder, perhaps the state, is the arrival of Coach Prime as CU's new head football coach. Not exactly real estate news, but make no mistake, he has already made an impact on the world of college football, which in turn puts Boulder in the spotlight. We are told applications are up, social media imprints are off the charts and for the first time in DECADES, University of Colorado football is in the national conversation. Now, how will Coach Prime's arrival impact commercial real estate? Probably not directly, but when you live/work in a college town, and the football is once again relevant overnight, good things happen for all. Stadiums fill up, hotels fill up, restaurants fill up, retail sales go up....winning is fun and contagious. "We Comin'" is real and we hope all the businesses in town support this exciting new era of college football.

Like the beginning of each year, we always look back and find many reasons to be grateful. Looking ahead, 2023 will not disappoint, but best to buckle up.

BOULDER COUNTY LEASING YEAR END SNAPSHOT

Average Lease Rates of Completed Deals (NNN)



OFFICE TODAY

Boulder County Office Market: 10,550,000 square feet
Office Vacancy Total: 2,410,500 square feet, 23%
Office Sublease Total: 1,200,000 square feet, 11%
Total Vacancy: 3,610,500 square feet, 34%

SURVEY - Will Return To Office Ever Happen?

In December 2022, we asked 200 Colorado Residents between ages 25-35 about remote work, hybrid and the return to office... here are the results.

Question:

What's your work situation like?

23% voted office, 42% voted hybrid and 35% voted remote

Question:

If remote or hybrid, how do you feel about it?

89% voted "I love Remote" and only 11% voted "I'd go back to Office"

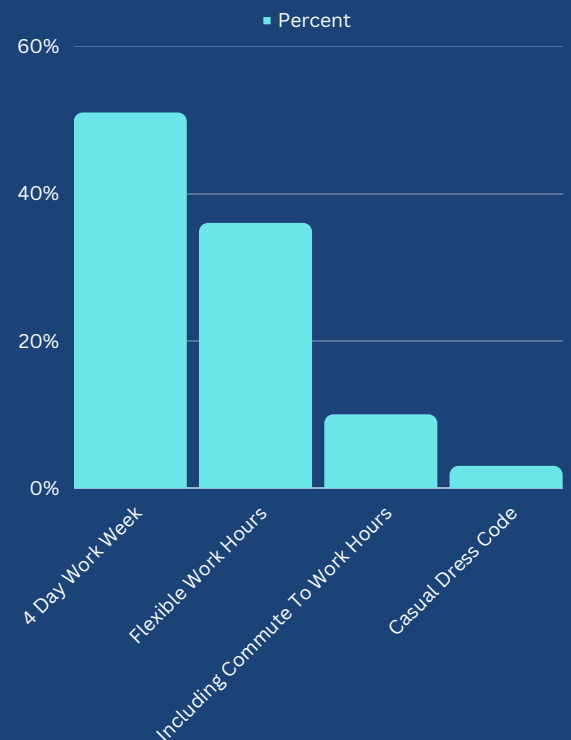
Question:

If you had to go back to office, what you incentivize you most? (See graph for responses)

Question:

Is your company pushing for full-time return to office?

25% voted yes, 59% voted no, 4% voted yes- I am quitting and 12% voted other



SALES

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

	Sales Volume	Cap Rate Average	Total # of Transactions
2022	\$1.4B	5.90%	261
2021	\$1.5B	5.90%	313
2020	\$578M	6.40%	186

	Sales Volume	Cap Rate Average	Total # of Transactions
Q4 2022	\$222,000,000	5.90%	48
Q3 2022	\$175,000,000	5.60%	42
Q2 2022	\$250,000,000	6.10%	64

SALES VOLUME
PROJECTION:



CAP RATE
PROJECTION:



TRANSACTIONS
PROJECTION:



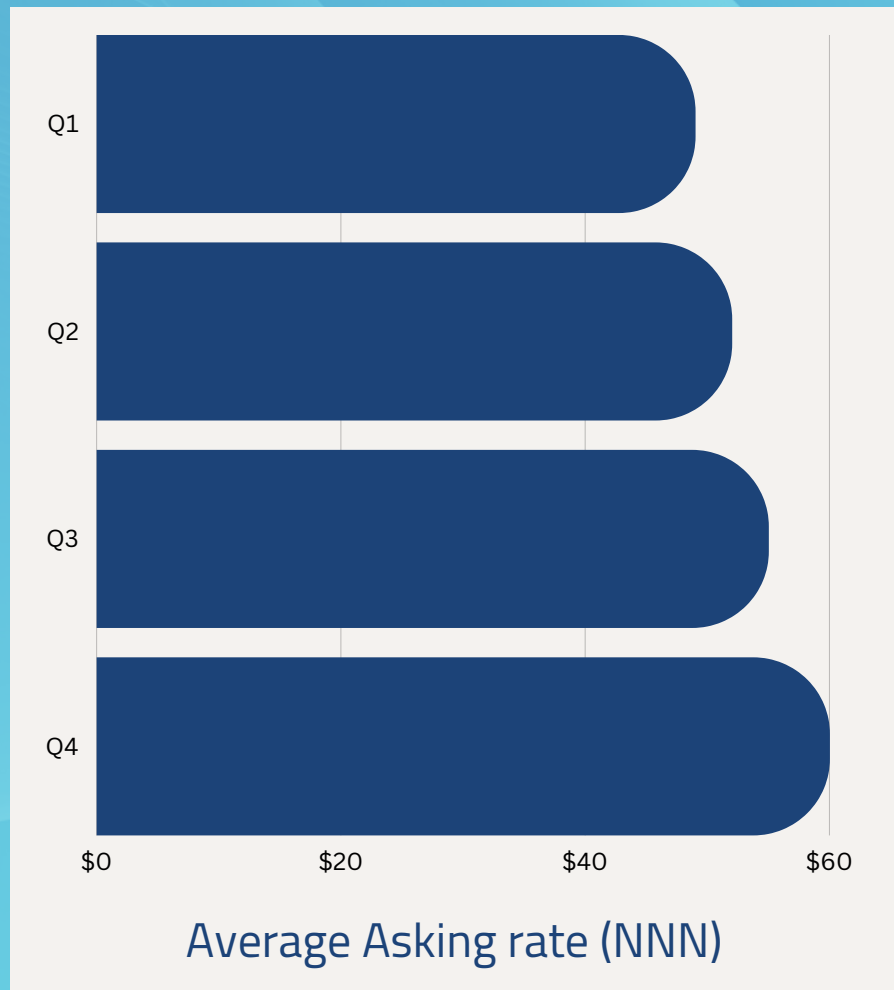
INTERESTING TO NOTE FOR Q4:

According to Wealth Management, Inc. 75% of top landlords in the country plan to “hold” office product versus buy or sell. Given the newer ownership groups that have entered the Boulder County market within the last five years, it would not be a surprise to see some groups wanting to exit the market. However, historically when the stock market is so volatile, it is common to see investors look to real estate as a safer asset class. Due to supply constraints and city challenges, this in turn will keep Boulder as an attractive market.

LIFE SCIENCE

Life Science asset class the shining star of 2022 with demand for space still tracking above one million square feet. In 2023 the market will start to see all the speculative lab spaces completed, and in turn see the real depth/demand in the marketplace. Some exciting projects coming online include Hatch Labs @ Wilderness Place, which features small built out lab spaces and 5505 Central, Boulder's first ground up Life Science building developed by BMR.

**Tracking the total square footage of Life Science has some discrepancies due to the fact several landlords market their flex buildings as either flex or conversion to Life Science*



Notable Lease Deals Done in 2022:

TENANT	SIGN DATE	LEASE TYPE	SIZE (SF)	CITY	ADDRESS
Biodesix	Q2 2022	New	79,980	Louisville	919 W Dillon Rd
BondPet Foods Inc	Q2 2022	New	14,500	Boulder	5445 Airport Rd
Cogent Biosciences	Q1 2022	New	58,364	Boulder	5700 Flatiron Pkwy
Edgewise Therapeutics	Q1 2022	New	38,075	Boulder	4840 Pearl East Cir
Mosaic Biosciences Inc	Q4 2022	New	19,000	Boulder	5720 Flatiron Pkwy
Novo Nordisk	Q3 2022	New	12,369	Boulder	4999 Pearl East Cir
Watchmaker Genomics	Q2 2022	Sublease	22,892	Boulder	5395 Pearl Pkwy
VitriVax	Q4 2022	New	10,000	Boulder	5445 Airport Rd

Notable Sales Done in 2022:

PROPERTY	CITY	BUYER	SIZE (SF)	SALE DATE	PRICE
Flatiron Park Portfolio	Boulder	BioMed Realty	1,080,094	Q1 2022	\$625,150,000
Pearl East Portfolio	Boulder	Beacon Capital Partners	464,464	Q2 2022	\$190,000,000
1685-1775 38th St	Boulder	Breakthrough Properties	177,216	Q3 2022	\$85,250,000

INDUSTRIAL

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

Total Square Feet: 14.3 Million

Q4: 5% vacant

2021: 2.77% vacant

Average Asking Lease Rate: \$13.37NNN

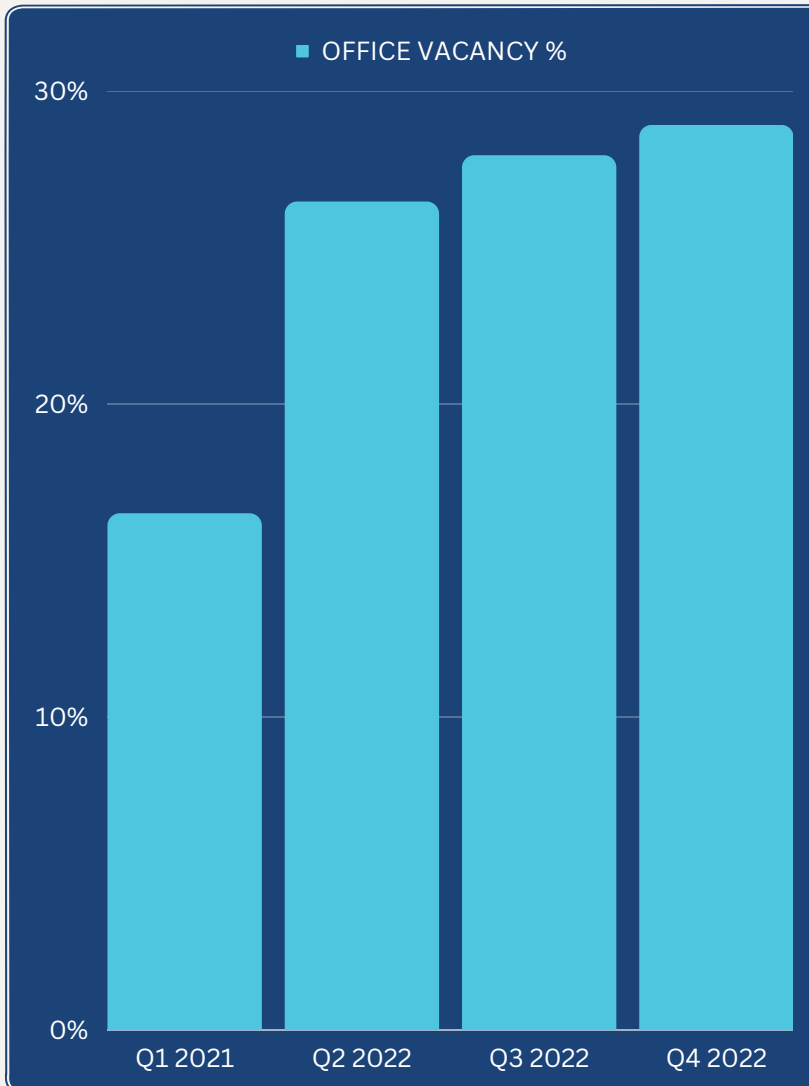
Notable Deals Done in 2022:

TENANT	SIGN DATE	LEASE TYPE	SIZE (SF)	CITY	ADDRESS
Micron Techonlogy Inc	Q3 2022	New	207,258	Longmont	2452 Clover Basin Dr
H3X Technologies	Q4 2022	Sublease	16,987	Louisville	410 S Arthur Ave
ROSSMÖNSTER VANS	Q3 2022	New	23,000	Longmont	711 S Bowen St
Solid Power Inc	Q4 2022	Renewal	29,000	Louisville	486 S Pierce Ave
Stratom Inc	Q4 2022	New	16,437	Longmont	331 S 104th St

The transaction at 2452 Clover Basin Dr made a large impact on the industrial market vacancy. Before getting leased, this space was available for over three years.



DOWNTOWN BOULDER



In Q4, an undisclosed tenant signed a lease to move into 63,000 square feet at 1301 Walnut for a late 2023 occupancy. They will be moving out of their current space at 1050 Walnut.

More and more Downtown spaces are popping up for sublease and we project those will continue to lease for below market rates.

VACANCY
TRENDING: 

LEASE
RATES: 

Year	Year End Vacancy Percent
2022	28.91%
2021	25.80%
2020	15.71%

OFFICE	Total SF	Vacancy	Subleases Done	Number of Transactions
Q4 2022	1.7 Million	28.91%	2	7
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
Q4 2022	2,100,000	12.30%	11	2	\$18.00-\$40.00
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

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
Q4 2022	2,000,000	20%	6	2	\$23.80
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 / Life Science is not included in this data*

LEASE RATES PROJECTION:



VACANCY TRENDING PROJECTION:



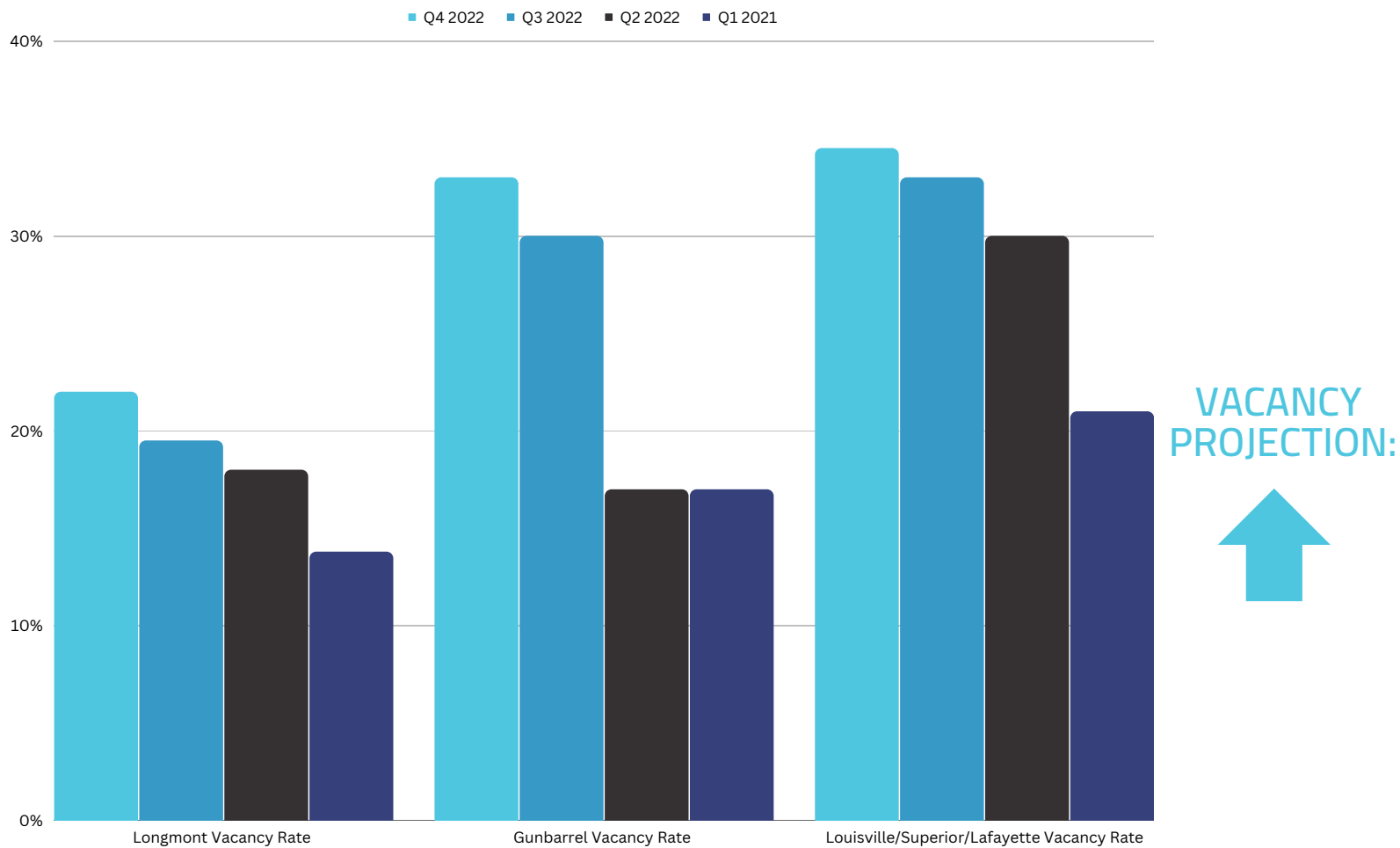
GUNBARREL, LONGMONT & LOUISVILLE/LAFAYETTE/SUPERIOR

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



LONGMONT	Year End Vacancy Percent	GUNBARREL	Year End Vacancy Percent	LOUISVILLE/LAFAYETTE/SUPERIOR	Year End Vacancy Percent
2022	22%	2022	33%	2022	34.5%
2021	19%	2021	25%	2021	28%
2020	15.6%	2020	14%	2020	30%

PLANNING/UNDER CONSTRUCTION

**above 15,000 square feet*

Property Name	City	Address	Size (SF)	Status	Use
HATCHLabs @ Wilderness PI	Boulder	2880 Wilderness PI	33,700	Under Construction	Life Science
Flatiron Park - 5505 Central	Boulder	5505 Central	56,000	Under Construction	Life Science
Medtronic Campus Phase I	Lafayette	NEC of US HWY 287 & Dillion Rd	400,000	Under Construction	Life Science
Medtronic Campus Phase II	Lafayette	NEC of US HWY 287 & Dillion Rd	200,000	Planned	Life Science
Boulder 38	Boulder	38th St & Arapahoe Ave	164,000	Planned Conversion	Life Science
Lafayette Corporate Campus N1	Lafayette	2550 Cresent Dr	91,536	Planned Conversion	Life Science
Lafayette Corporate Campus Building M1	Lafayette	2650 Cresent Dr	81,262	Planned Conversion	Life Science
Coal Creek Innovation Park	Superior	McCaslin Blvd & Main St	400,000	Under Construction	Life Science
Redtail Ridge	Louisville	Northwest Pky & US 36	1,300,000+	Proposed	Life Science
West Meadows	Boulder	3825 Walnut St.	112,423	Proposed	Life Science
Boulder 29	Boulder	1900 29th St	163,000	Under Construction	Office
Indian Peaks Market Place	Lafayette	Baseline Rd & N 95th St SWC	15,744	Proposed	Retail
0 Homestead Way	Boulder	0 Homestead Way	63,000	Proposed	Flex
Lafayette Tech Center	Lafayette	1449 S Public Rd	30,000	Proposed	Flex
Lake Centre Plaza	Boulder	5606 Airport Rd	111,645	Proposed	Flex / Life Science
Ball Aerospace Expansion	Boulder	1600 Commerce St	310,000	Planned	Industrial
Spruce Street Hotel	Boulder	1105 and 1111 Spruce St	45 rooms	Under Construction	Hotel



HATCHlabs @ Wilderness PI

YEAR END HIGHS & LOWS

HIGHS

Downtown Boulder Retail

- The buzz of Pearl St Mall has begun to return as there are very few retail vacancies - and continues to be "Rodeo Drive of Outdoor Lifestyle Brands"

One of the Best Cities to Call Home

- U.S. News Ranked Boulder #4 on the Best Cities to Live In

CU Boulder Drives Economy

- CU Boulder intellectual-property licenses and companies spun out of school labs resulted in \$8 billion in economic impact across the country over the past five years. That's a 400% increase compared with the five-year period preceding March 2019

LOWS

The Downsize of Tech

- Elon Musk's take over of Twitter resulted in thousands fired and hundreds quitting
- Meta and many other powerhouse tech companies are downsizing and space is becoming available for sublease

Subleases Available Everywhere

- Over 300,000 square feet of space became available during Q4

Recession / Slowing Market

- Urban Land Institute's Latest Economic Forecast that pricing has to continue falling, they are thinking 20%+ longer term



Keep An Eye On These **BOULDER COUNTY COMPANIES:**

- Scout Clean Energy, a developer and asset manager of renewable energy, was acquired for \$1 billion by New-York-based renewable investment firm Brookfield Renewables
- Peregrine Private Equity Fund II LP, a private equity fund managed by Boulder boutique investment firm Schoolcraft Capital LLC, raised \$20.4 million
- Boulder bioscience company Arpeggio Biosciences Inc., which develops RNA-based drugs, raised \$17 million in a Series A funding round that was led by Builders VC
- Bill Gates-backed 'green iron company' Electra steps into the spotlight with \$85M raise
- Boulder's Biodesix snags \$20M contract, and moved to larger space in Louisville
- Charlotte's Web lands first-of-its-kind MLB sponsorship deal
- The Boulder-based startup Stylo raised \$3 million in seed funding to push out its software that automates customer-support functions
- Cloud computing company Fermyon Technologies Inc. has raised \$20 million in a Series A funding round
- Lazzaro Medical LLC, a Boulder-based medical device company seeking to treat a rare disease that causes breakdown of the trachea, has received a \$1 million strategic investment from Northwell Health, New York State's largest health care provider
- Amp robotics raises \$91M in Series C
- CU spinout Vitro3D raises \$1.3M to develop 3D printing technology
- S&W Seed Co. reported 28% year-over-year revenue growth for the first quarter of its 2023 fiscal year, to \$19.9 million from \$15.5 million
- Boulder Ventures, a venture capital firm that targets startups in Colorado and the mid-Atlantic region, closed a \$58 million fund this month to deploy over the next few years
- Dylibso Inc., a Boulder software company that creates products to help developers build with the WebAssembly programming language, raised \$1.6 million in equity
- Phood Inc. of Boulder has raised \$200,000 out of a \$1.5 million equity offering. Date of first sale was Nov. 30. The company enables college students to use their student card as a payment method for delivery apps such as DoorDash.
- Twitter was served an eviction notice because they owe nearly \$200K in rent at Walnut Street offices
- Inscripta Inc., a genomic-editing platform born out of the University of Colorado, is shuttering its Boulder research and development hub and headquarters, resulting in "mass layoff" for employees at the site
- Boulder startup, Mad Agriculture raises \$4M to accelerate regenerative farming
- Boulder-based startup LongPath Technologies, which detects emissions from oil and gas operations, raised \$22 million to help prevent more methane leaks



LOOKING AHEAD: THE IMPORTANCE AND IMPACT OF “GOING GREEN”

As governments draw up plans for transitioning to a net zero economy, eyes are on businesses (both big and small) to make lasting changes to reduce carbon emissions. It's no surprise that the CRE world is of great environmental consequence. Buildings currently contribute nearly 40 percent of carbon emissions globally, and almost half of U.S. energy consumption is associated with the built environment, according to Gensler's Impact By Design 2020 report.

For investors, sustainable assets are the more desirable ones. In the long term, sustainable assets are more efficient, more valuable, more resilient, and certainly offer a better customer experience. According to the Deloitte report, research by Savills Investment Management found that 73% of the world's institutional investors expect green lease clauses to be incorporated universally between tenants and real estate investment managers by 2029.

On a more micro level, Boulder is an international climate leader. The County has been recognized by CDP, a global environmental reporting organization, for its bold leadership on environmental action and transparency. Boulder County made the “Cities A List,” earning the CDP's highest rating alongside 95 cities around the world. Only 12% of cities that were scored in 2022 received an A.

In the Boulder Climate Action Plan, the city has set out to reduce carbon emissions 70 percent by 2030, hit net-zero emission by 2035 and become carbon-positive by 2040. In 2006, Boulder made history when it introduced the carbon tax, which was the first of its kind in the United States. The carbon tax generates about \$1.8 million each year, and these funds go toward implementing the Boulder Climate Action Plan. The 2020 City of Boulder Energy Conservation Code is important to pay attention to if you are in commercial real estate, especially in construction and development. It is a localized version of the 2018 International Energy Conservation Code that is 20% more efficient than the national code. The city updates our energy code on a three-year cycle with the goal of attaining net-zero energy, outcome-verified code by 2031 to meet broader city-wide climate commitment goals. The code is extensive (155 pages) and goes into great detail on temperature, power, lighting, HVACs are more. Something we are currently seeing with commercial property owners is privately-owned commercial and industrial buildings 20,000 square feet and larger must comply with both the Outdoor Lighting Ordinance and the Building Performance Ordinance (BPO). The lighting requirements for the BPO include specific exterior lighting upgrades such as LED lighting.

All this said— what is good for the planet is good for business, and Boulder has the highest per-capita concentration of B Corps in the nation. This includes Ben & Jerry's, Bhakti Chai, Conscience Bay Company, EarthHero, Namaste Solar, Purely Elizabeth, Uplight and many more. We are excited to share that we are also taking steps to be a net-zero company and hope to apply to become a B Corp at the end of 2023!



2022 YEAR IN REVIEW...

January

Boulder County starts the recovery process from the devastating Marshall Fire, Somalogic signed a lease for 199,450 square feet at 96th and Dillon. **Lease was terminated shortly after, they are still in the marketplace as of December 2022**

February

#BOULDERSTRONGER - thousands of people gathered at the Table Mesa King Soopers to celebrate the re-opening and to honor the lives lost

March

Former Macy's on 29th St Mall sells after Boulder City Council approved plans to redevelop the department store into a three-story, 154,000 square foot office building with 9,000 square feet of retail space on the ground floor

April

BioMed Realty (Blackstone) acquired Flatiron Park, a 1 million square foot, 22 building life science campus

May

Dean Callan & Company hired an in-house research and marketing team to go along with our in-house graphic design team

June

Boulder Dinner Theatre sold to an out of town buyer for \$5.5 million

July

California Life Science investor Breakthrough Properties pays \$85M for Boulder campus that will be called Boulder 38

August

Brasserie Ten Ten Re-Opens!

September

Micron signs lease to move into 207,258 square feet at 2452 Clover Basin Dr for \$26.50NNN - move in date set for July 2023

October

Biodesix signs lease to move into former 80,000 square feet at Kohl's space at 919 W Dillon Rd for \$37.99NNN

November

Hapa Sushi announces it's move to the West End on Pearl St, Dean Callan & Company launched brand new website

December

Deion Sanders aka Coach Prime announced as head football coach for University of Colorado

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