

Real Estate Market Review

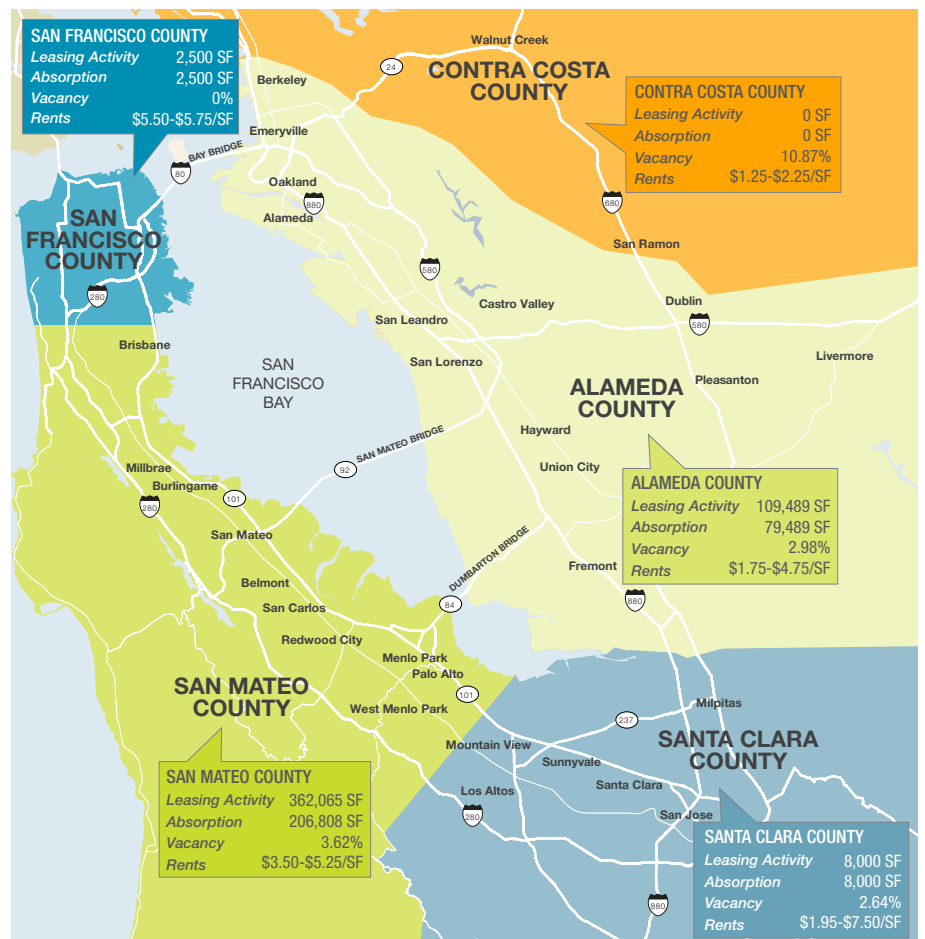
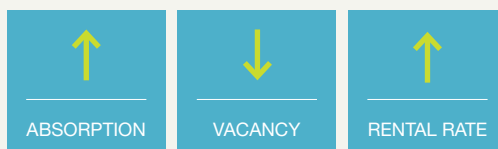
# Bay Area Life Science

The Bay Area life science market continues to be robust, as it finished the quarter with 482,054 s.f. of gross absorption and 296,797 s.f. of positive net absorption. San Mateo County and Alameda County were the primary drivers for leasing activity in the first quarter, accounting for 98% of activity in the region. Demand remains high in the Bay Area, with the overall vacancy rate now at 3.25%, down 26 basis points from the previous quarter. The biotech industry continues to be the recipient of significant venture capital funding, amassing over \$3 billion this quarter.

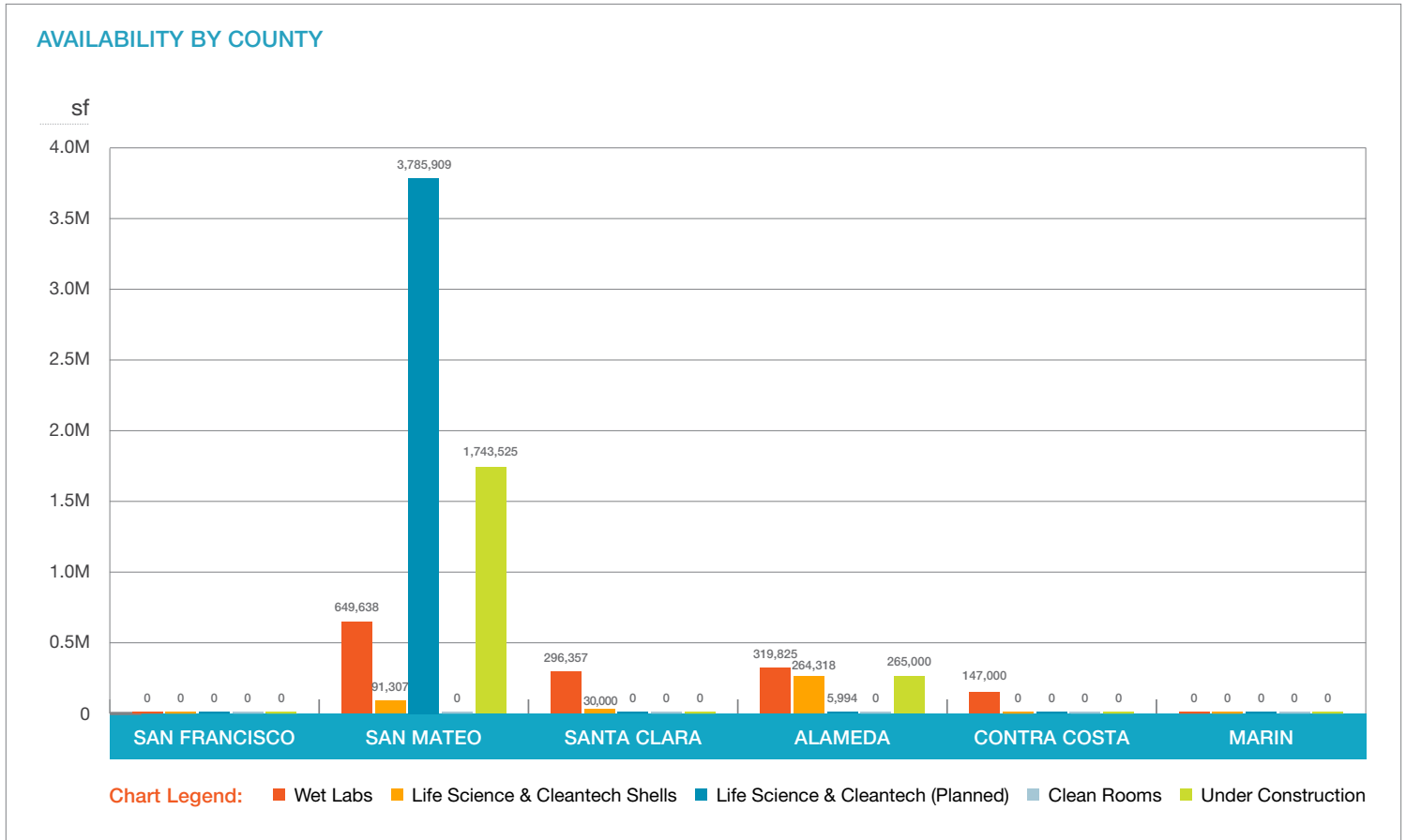
### Notable Lease Transactions

|  |  |
|--|--|
| <b>Verily</b><br>279 E. Grand Avenue<br>South San Francisco<br>105,000 s.f.                | <b>Allakos</b><br>975 Island Drive<br>Redwood City<br>25,194 s.f.                        |
| <b>Twist Biosciences</b><br>681 Gateway Boulevard<br>South San Francisco<br>66,000 s.f.    | <b>Tricida</b><br>7000 Shoreline Court<br>South San Francisco<br>24,039 s.f.             |
| <b>Pliant Therapeutics</b><br>260 Littlefield Avenue<br>South San Francisco<br>30,000 s.f. | <b>Undisclosed Tenant</b><br>26225 Eden Landing Road<br>Hayward<br>20,000 s.f.           |
| <b>Ultima Genomics</b><br>7979 Gateway Boulevard<br>Newark<br>30,000 s.f.                  | <b>Undisclosed Tenant</b><br>3960 Point Eden Way<br>Hayward<br>17,132 s.f.               |
| <b>ARC Soft</b><br>3928 Point Eden Way<br>Hayward<br>30,000 s.f. (renewal)                 | <b>Impossible Foods</b><br>525 Chesapeake Drive<br>Redwood City<br>15,393 s.f. (renewal) |

### Market Forecast Trends



# Area Review



## SUBMARKET REVIEW

### San Francisco County

San Francisco had no major transactions this quarter, as this submarket continues to suffer with limited inventory. Tenant demand remains strong, however with low supply in the area, users are forced to look at San Mateo and Alameda Counties to accommodate their growing need for space. The county continues to hold a 0% vacancy rate, with asking rates falling between \$5.50 and \$5.75/s.f. NNN.

### San Mateo County

San Mateo County was the most active Bay Area county this quarter, as it closed out 362,065 s.f. of leasing activity and 206,808 s.f. of positive net absorption. The majority of activity occurred in South San Francisco, with 255,470 s.f. of gross absorption and 163,736 s.f. of net absorption. Verily Life Sciences completed the largest deal of the quarter, committing to 105,000 s.f. at 279 E. Grand Avenue, which expands their footprint to over 500,000 s.f. at the Alexandria East Grand campus. Twist Biosciences leased 66,000 s.f. at 681 Gateway Boulevard, followed by Pliant Therapeutics agreeing to 30,000 s.f. at 260 Littlefield Avenue. Redwood City followed with

53,862 s.f. of gross absorption, as Allakos took 25,194 s.f. at 975 Island Drive and Impossible Foods renewed 15,393 s.f. at 525 Chesapeake Drive.

Approximately 1.75 million s.f. of life science product is under construction, with all of the projects in South San Francisco. Phase three of HCP's The Cove at Oyster Point Boulevard will deliver 335,670 s.f. in two buildings, and is drawing strong competitive interest among life science companies. The Genesis North Tower is scheduled to be completed in the third quarter of this year, delivering 400,000 s.f. In addition, Tarlton Properties announced the expansion of its Menlo Park Lab campus, with plans to add 260,000 s.f. of lab space by 2020. Vacancy dropped to 3.62%, with asking rates ranging from \$3.50 to \$5.25/s.f. NNN.

### Santa Clara County

Leasing activity continues to be scarce in Santa Clara County, with only 8,000 s.f. of positive net absorption and a vacancy rate at 2.64%. Medical device developer Qool Therapeutics committed to 8,000 s.f. at 453 Ravendale Drive in Mountain View. No major development projects are expected for life science use, however existing "flex" spaces could

accommodate life science tenants. Average asking rates vary between \$1.95 and \$7.50/s.f. NNN.

### Alameda County

Alameda County’s leasing activity in the first quarter remained active, with 109,489 s.f. of gross absorption and 79,489 s.f. of positive net absorption. The most notable transaction was Ultima Genomics occupying 30,000 s.f. at Pacific Research Center’s Building 6 at 7979 Gateway Boulevard in Newark. In addition, imaging software company ARC Soft renewed 30,000 s.f. at 3928 Point Eden Way in Hayward. Emeryville’s leasing activity this quarter consisted of agricultural technology company Asilomar Bio committing to 8,938 s.f. and Nutcracker Therapeutics taking 3,419 s.f. at 5858 Horton Street. Shell delivery of Wareham Development’s 265,000 s.f. EmeryStation West will be during the 2nd quarter, with occupancy slated to begin in Q4 of this year. Activity at this project is very strong given the lack of available supply in the Emeryville and Berkeley markets. The county lowered its vacancy by 90 basis points from the previous quarter, which currently stands at 2.98%. Average rental rates continue to hold between \$1.75 and \$4.75/s.f. NNN.

### Contra Costa County

Contra Costa County’s small life science market remained dormant, with a vacancy rate of 10.87% and limited tenant demand. Average rental rates are currently between \$1.25 and \$2.25/s.f. NNN in this region.

### Investment Sales

Significant investment activity occurred this quarter, with Kilroy Realty Corp. purchasing the Oyster Point Tech Center, located at 345, 347 & 349 Oyster Point Boulevard in South San Francisco for \$111M, or \$766/s.f. The three buildings total 146,000 s.f. and are home to DNA testing company 23andMe and Lab Corp./ Monogram Biosciences. In addition, New York-based Thor Equities acquired 600-630 Bancroft Way in Berkeley from Long Market Property Partners for \$17.5M, or \$365/s.f.

### 1Q Venture Capital Financing

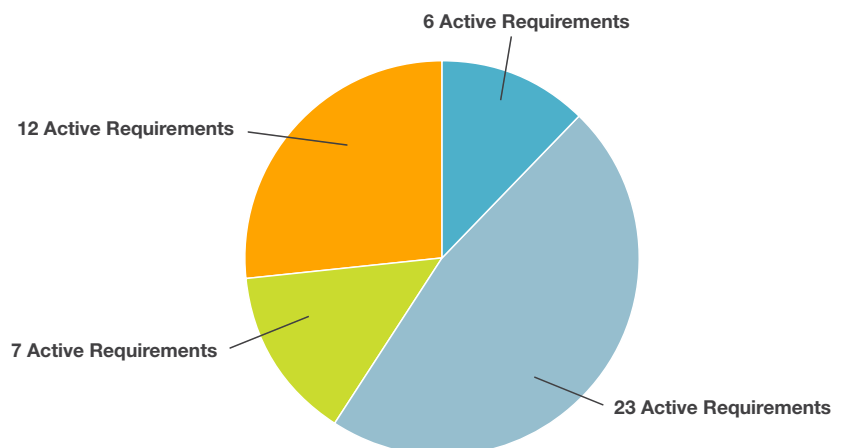
| Series Type             | \$ Funded              |
|-------------------------|------------------------|
| Seed Stage              | \$7,890,000            |
| Series A                | \$84,640,000           |
| Series B                | \$412,300,000          |
| Series C                | \$75,888,000           |
| Series D                | \$21,709,000           |
| Series E                | \$133,000,000          |
| Series F                | \$0                    |
| Series G                | \$0                    |
| Mezzanine               | \$0                    |
| Undisclosed             | \$0                    |
| Acquisition             | \$55,000,000           |
| Debt / Equity Financing | \$0                    |
| IPO                     | \$452,000,000          |
| PIPE                    | \$1,950,000,000        |
| Research Grant          | \$750,000              |
| Corporate Partnership   | \$0                    |
| <b>Total</b>            | <b>\$3,193,177,000</b> |

| Month Funded | # of Companies |
|--------------|----------------|
| January      | 9              |
| February     | 10             |
| March        | 18             |
| <b>Total</b> | <b>37</b>      |

### DEMAND FOR LIFE SCIENCE SPACE

- 0 - 9,999 SF
- 10,000 - 49,999 SF
- 50,000 - 99,999 SF
- 100,000 - 800,000 SF

TOTAL SQUARE FOOTAGE IN DEMAND  
4,612,500 SF



## Offices

Seattle  
206.296.9600

Bellevue  
425.454.7040

South Seattle  
206.248.7300

Tacoma  
253.722.1400

Olympia  
360.705.2800

Portland  
503.221.9900

San Francisco  
415.229.8888

Redwood Shores  
650.769.3600

Silicon Valley  
408.970.9400

Sacramento  
916.970.9700

Roseville  
916.751.3600

Los Angeles  
213.880.5250

El Segundo  
310.807.0880

Commerce  
323.727.1144

Long Beach  
562.472.0071

Orange County  
949.557.5000

Inland Empire  
909.764.6500

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

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## KIDDER MATHEWS LIFE SCIENCE

### A Commitment to Excellence

Kidder Mathews is a corporate real estate advisory and brokerage firm. Our Life Sciences real estate practice specializes in the unique requirements of companies within this industry sector. We partner with our clients to define and refine an acquisition strategy and then develop a real estate solution that best fits the company's business model and growth. Kidder Mathews' superior market knowledge delivers more options to our clients, which have enabled them to achieve better transaction economics, and a reduction of capital costs while minimizing their out of pocket expense.

Key strategic real estate decisions focus on:

- The type of facilities required
- The timing of the requirement
- How to acquire the real estate and the occupancy costs
- How to finance the tenant improvements

The Kidder Mathews Life Science advantage:

- Strategic real estate planning
- Real estate acquisition services
- Financial analysis
- Real estate disposition services
- Specialized LABS database

Our objective is to assist our clients in developing real estate strategies and solutions to support overall business objectives and to enhance shareholder value.

**Strategic Advantage** – Increases our client's leverage during the negotiation process.

**Strategic Advantage** – The strategic planning process results in optimal real estate occupancy cost savings.

A well conceived real estate strategy becomes the blueprint for a successful real estate transaction. This is where Kidder Mathews positions the client to continue its development

and growth without the company's real estate becoming a physical or financial constraint.

We have developed the most comprehensive life science database in the commercial real estate industry. Kidder Mathews' specialized database provides clients with the following key strategic advantages:

- Tracks current available wet laboratory spaces
- Tracks wet laboratory spaces that will be coming on-line over the next twenty-four (24) month period
- Tracks lease expiration dates of current life science tenants
- Tracks current life science requirements in the market
- Tracks companies that are getting funded
- Tracks companies that are in the midst of re-structuring and M&A discussions

Kidder Mathews' Life Science real estate practice has a combined experience of 90 years in executing complex real estate solutions that meet our clients' real estate needs. Kidder Mathews would like to be your real estate and facilities strategic partner. Let us handle all of your real estate and facilities needs while you remain focused on driving your company's success.

### Kidder Mathews Services

Kidder Mathews realizes that a lease transaction is only part of a larger process, and that life science tenants require a wide range of other high quality specialized service providers. To assist our clients, we have relationships with experts in all of the required disciplines: corporate business strategizing, project/construction management, licensing, permits, and code compliance, furniture and equipment, manufacturing systems advisory, third party improvement financing, legal, recruitment, moving, telecommunications, and architecture.