

Real Estate Market Review

Bay Area Life Science

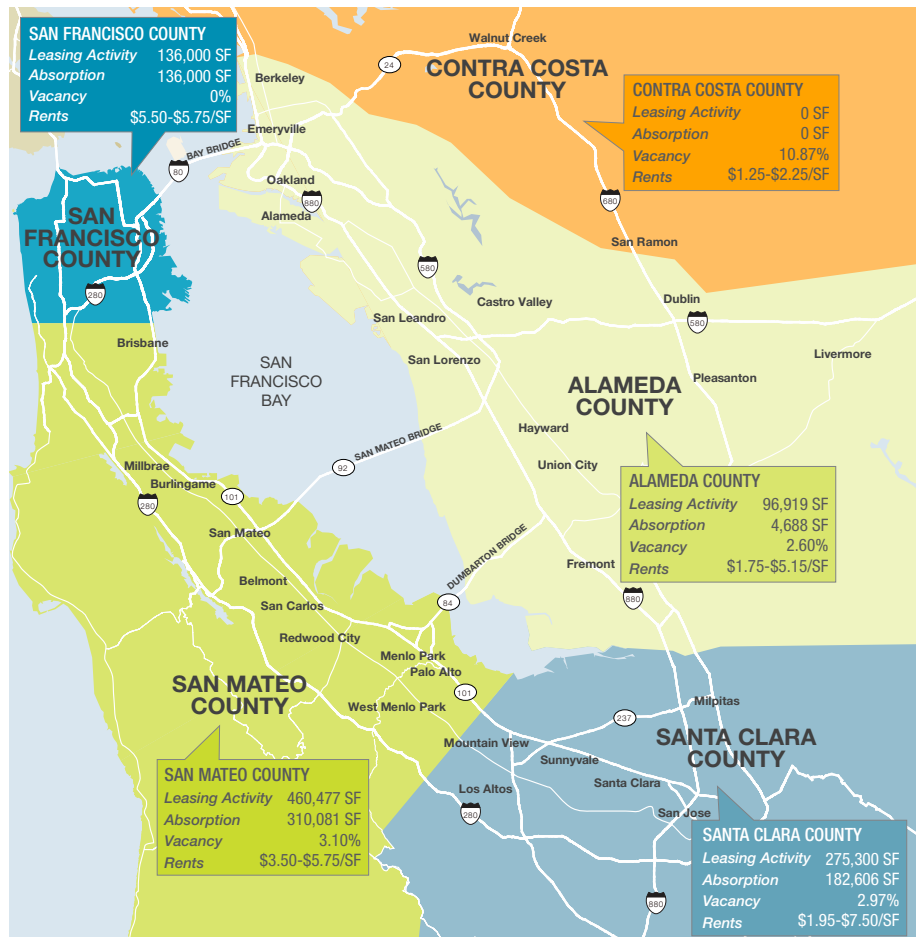
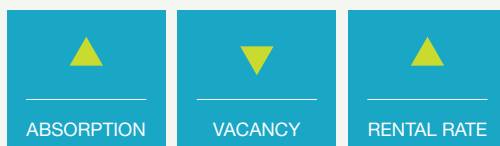
Leasing activity was very active this quarter, as the Bay Area finished with 968,696 s.f. of gross absorption and 633,375 s.f. of net absorption. San Mateo and Santa Clara Counties were the most dominant regions, accounting for 75% of activity. Overall vacancy dipped slightly to 3.03%, down 22 basis points from the prior quarter. With 4.3 million s.f. of demand from a variety of tenants, the Bay Area life science market shows no signs of slowing down.

Notable Lease Transactions

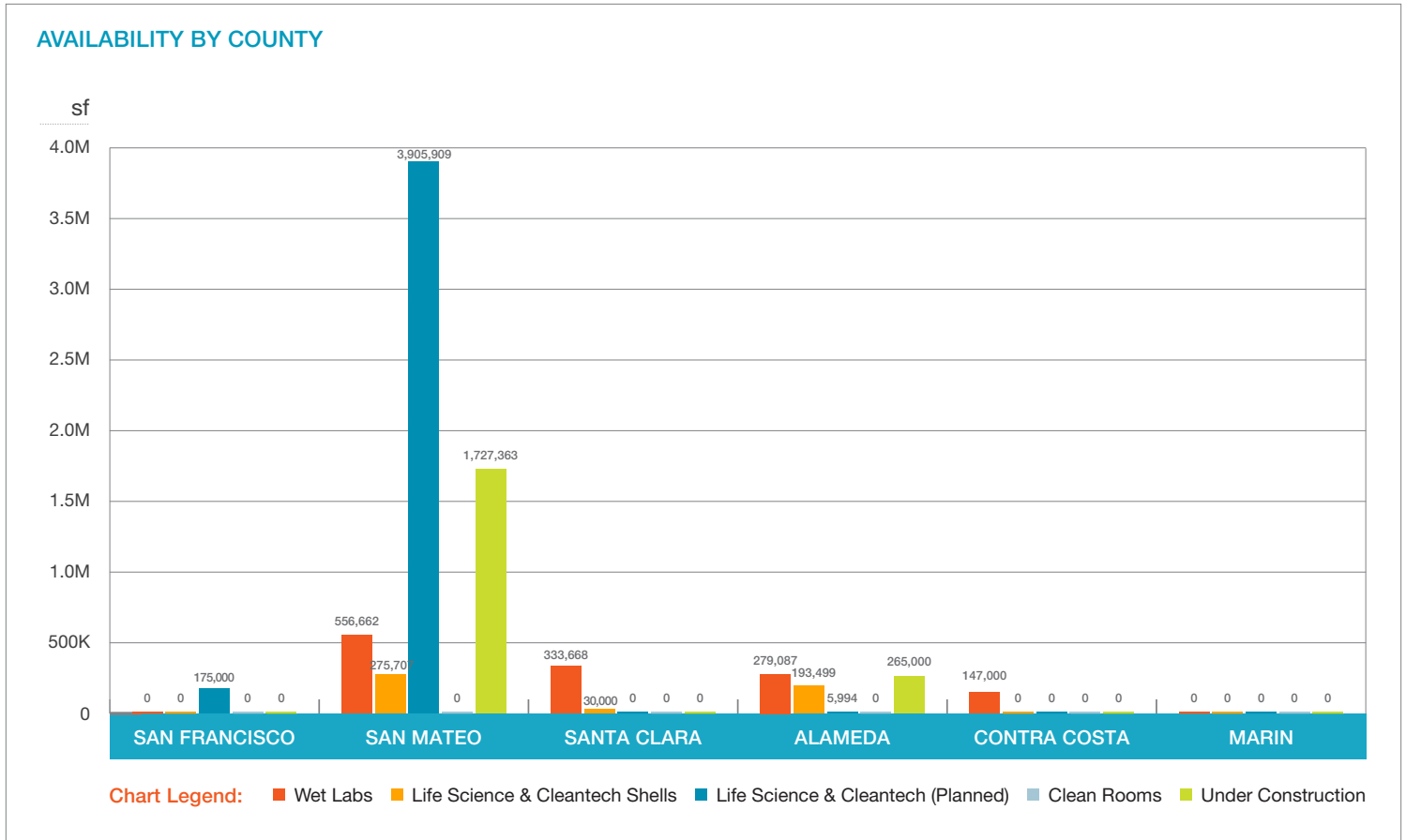
Denali Therapeutics 161 Oyster Point Blvd South San Francisco 148,020 s.f.	Reflexion Medical 25881 Industrial Blvd Hayward 51,449 s.f.
23andMe* 221 N Mathilda Ave Sunnyvale 145,500 s.f.	Principia Biopharma 220 E Grand Ave South San Francisco 47,566 s.f.
Nektar Therapeutics* 360 3rd St San Francisco 47,566 s.f.	Pact Bio 2 Corporate Dr South San Francisco 42,000 s.f.
Stanford School of Medicine 1701 Page Mill Rd Palo Alto 116,000 s.f.	LakePharma 201 Industrial Rd San Carlos 40,698 s.f.
LabCorp/Monogram Biosciences 345/347 Oyster Point Blvd South San Francisco 80,190 s.f. (renewal)	Trucode 170 Harbor Way South San Francisco 23,500 s.f.

*Office Deals

Market Forecast Trends



Area Review



SUBMARKET REVIEW

San Francisco County

San Francisco had one major transaction this quarter, as Nektar Therapeutics leased 136,000 s.f. of office space at 360 3rd Street from Kilroy Realty. With no supply of existing lab space available in San Francisco, tenants have been forced to seek facilities in other locations, notably San Mateo and Alameda Counties. Consistent with the prior quarter, the County holds a 0% vacancy rate, with asking rental rates between \$5.50 and \$5.75/s.f. NNN.

San Mateo County

Continuing its strong leasing pace, San Mateo County led the Bay Area with 460,477 s.f. of gross absorption and 310,081 s.f. of positive net absorption. South San Francisco had the most activity, posting 390,784 s.f. of gross absorption. The largest deal of the quarter was completed by Denali Therapeutics, which committed to 148,020 s.f. at The Cove at Oyster Point. The soon to be completed Genesis North Tower saw substantial activity, with two different tenants signing a total of 33,330 s.f. in the 21-story tower. Pionyr Immunotherapeutics agreed to 19,830 s.f. and Adaptive Biotechnologies leased 13,500 s.f. Other leasing activity in the South San Francisco

submarket included LabCorp/ Monogram Biosciences renewing 80,190 s.f. at 345 & 347 Oyster Point Boulevard, Principia Biopharma leasing 47,566 s.f. of former Exelixis space at 220 East Grand Avenue and Pact Bio leasing 42,000 s.f. at 2 Corporate Drive. Further down the Peninsula, biologics company LakePharma subleased 40,698 s.f. at 201 Industrial Road in San Carlos and Antheia took 11,788 s.f. at 1430 O'Brien Drive in Menlo Park.

Approximately 1.7 million s.f. remains under construction, with the projects in South San Francisco and Emeryville. The Genesis North Tower is slated to deliver 375,000 s.f. in the third quarter and has around 300,000 s.f. of Class A lab space currently available. BioMed Realty's Gateway of Pacific project will add 512,000 s.f. in its first phase in early 2019. Phase 3 of HCP's The Cove is scheduled to deliver 335,670 s.f. in 2019 between two buildings, although one has been pre-leased by Denali Therapeutics. Vacancy rates dropped to 3.10% this quarter, down 52 basis points from the prior quarter. Asking rates range from \$3.50/s.f. to \$5.75/s.f. NNN.

Santa Clara County

Santa Clara County experienced significant activity this quarter, with a total of 275,300 s.f. of gross absorption and 182,606 s.f. of net absorption. Genetic testing company

23andMe leased 145,500 s.f. of office space at 221 N. Mathilda Avenue, Sunnyvale and will be relocating from their current headquarters in Mountain View in 2019. The Stanford School of Medicine agreed to occupy 116,000 s.f. at the former Theranos-leased property at 1701 Page Mill Road, Palo Alto. There continues to be no planned developments for life science use in this County. Without any major developments plans in the pipeline, life science space remains limited in the County. Vacancy rates stand at 2.97%, with asking rates between \$1.95/s.f. and \$7.50/s.f. NNN.

Alameda County

Leasing activity was modest this quarter in Alameda County, with the region experiencing 96,919 s.f. of gross absorption but minimal net absorption. Revance Therapeutics agreed to 18,940 s.f. at 7999 Gateway Boulevard and CymaBay Therapeutics leased 17,698 s.f. at 7575 Gateway Boulevard in Newark. In Hayward, RefleXion Medical expanded into 51,449 s.f. at 25881 Industrial Boulevard. Shell completion of Wareham Development's new 265,000 s.f. EmeryStation West project will occur next quarter, with occupancy beginning in Q1-Q2 of next year. Although no transactions have been reported at the project, leasing activity is very strong. Vacancy rates in Alameda County fell slightly to 2.60%, down 38 basis points from the prior quarter. Asking rates are currently between \$1.75 and \$5.15/s.f. NNN.

Contra Costa County

With limited tenant demand in Contra Costa County, this region remained inactive this quarter with vacancy rates staying at 10.87%. Average asking rates fall between \$1.25 and \$2.25/s.f. NNN.

Investment Sales

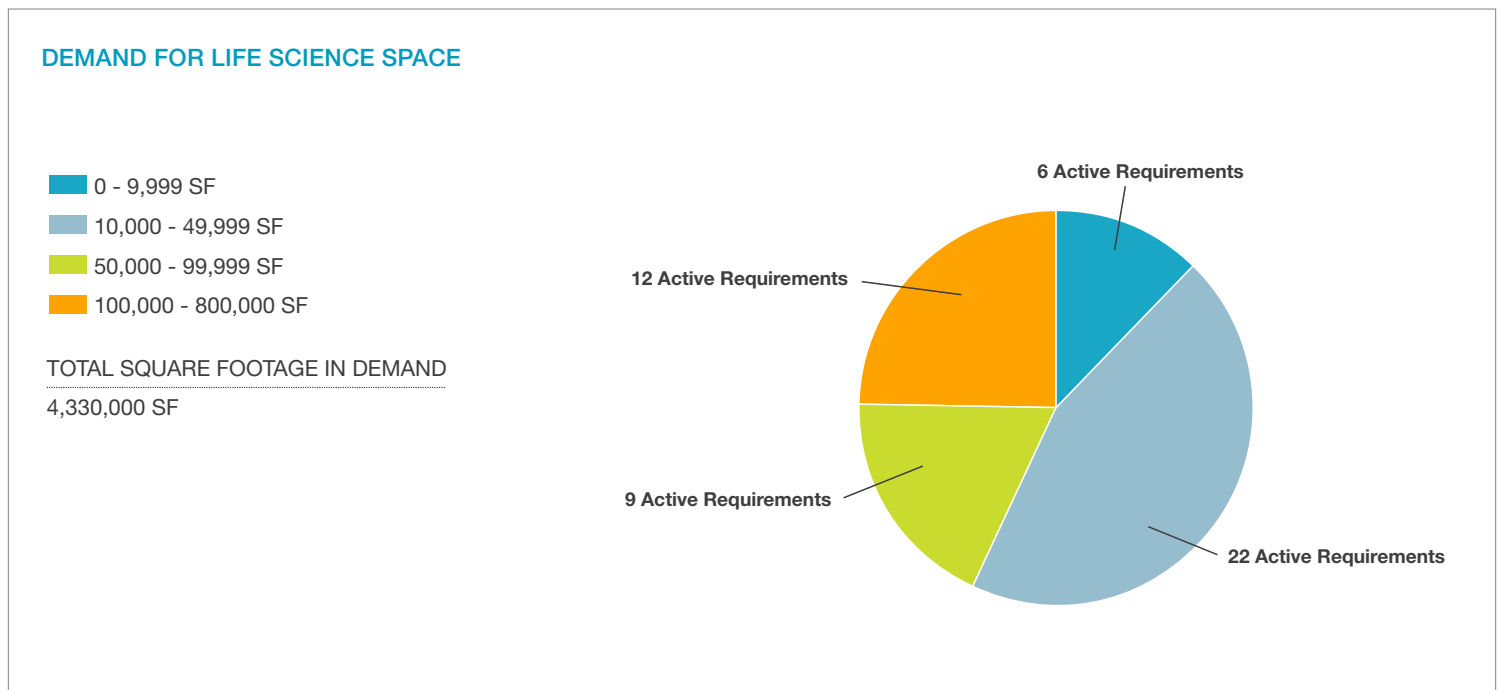
Kilroy Realty acquired the 40-acre Oyster Point site in South San Francisco from Oyster Point Development (OPD) for \$308 million. Future plans for this site are for a 2.5 million s.f.+ world-class waterfront life science development in 4-5 phases. Construction of the initial 3-building 600,000 s.f. Phase I is scheduled to commence in September and be ready for tenant improvements by Q1/Q2 2020.

Data Source: CoStar

2Q Venture Capital Financing

Series Type	\$ Funded
Seed Stage	\$2,600,000
Series A	\$539,340,000
Series B	\$803,360,000
Series C	\$425,000,000
Series D	\$571,000,000
Series E	\$76,620,000
Series F	\$0
Series G	\$0
Mezzanine	\$0
Undisclosed	\$150,000
Acquisition	\$1,915,500,000
Debt / Equity Financing	\$0
IPO	\$627,050,000
PIPE	\$58,150,000
Research Grant	\$2,000,000
Corporate Partnership	\$5,000,000
Total	\$5,045,650,000

Month Funded	# of Companies
April	17
May	20
June	20
Total	57



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. 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

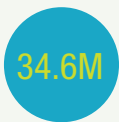
Kidder Mathews realizes that a lease transaction is only part of a larger process, and that life science tenants require a wide range of other high quality specialized service providers. To assist our clients, we have relationships with experts in all of the required disciplines: corporate business strategizing,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

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with more than 700 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

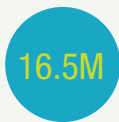
COMMERCIAL BROKERAGE



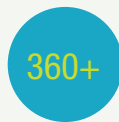
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LEASING SF



ANNUAL
SALES SF



BROKERS

PROPERTY MANAGEMENT



MANAGEMENT
PORTFOLIO

VALUATION ADVISORY



ASSIGNMENTS
ANNUALLY



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