

Life Science & Cleantech

Notable Transactions

Verily, Inc. (Google Life Sciences)
249-269 E Grand Ave, S San Francisco
407,369 s.f.

Prothena Biosciences
331 Oyster Point Blvd, S San Francisco
128,751 s.f.

Calithera Biosciences
343 Oyster Point Blvd, S San Francisco
29,080 s.f. + 24,900 s.f. renewal

Calibra Medical
220 Saginaw Dr, Redwood City
24,448 s.f.

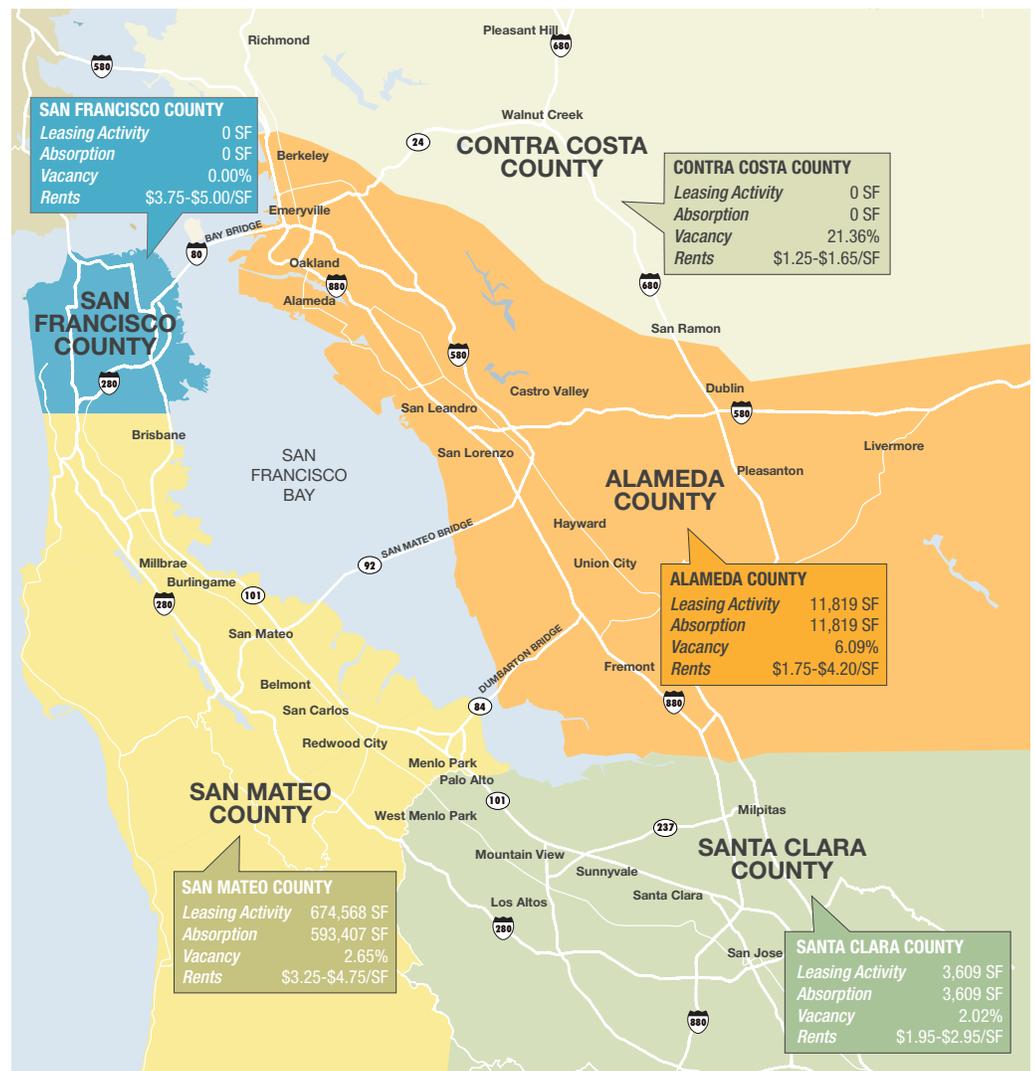
E-Scape Bio, Inc.
4000 Shoreline Ct, Brisbane
13,000 s.f.

Pivot Bio, Inc.
2929 7th St, Berkeley
11,819 s.f.

ORIC Pharma
240 E Grand Ave, S San Francisco
8,670 s.f.

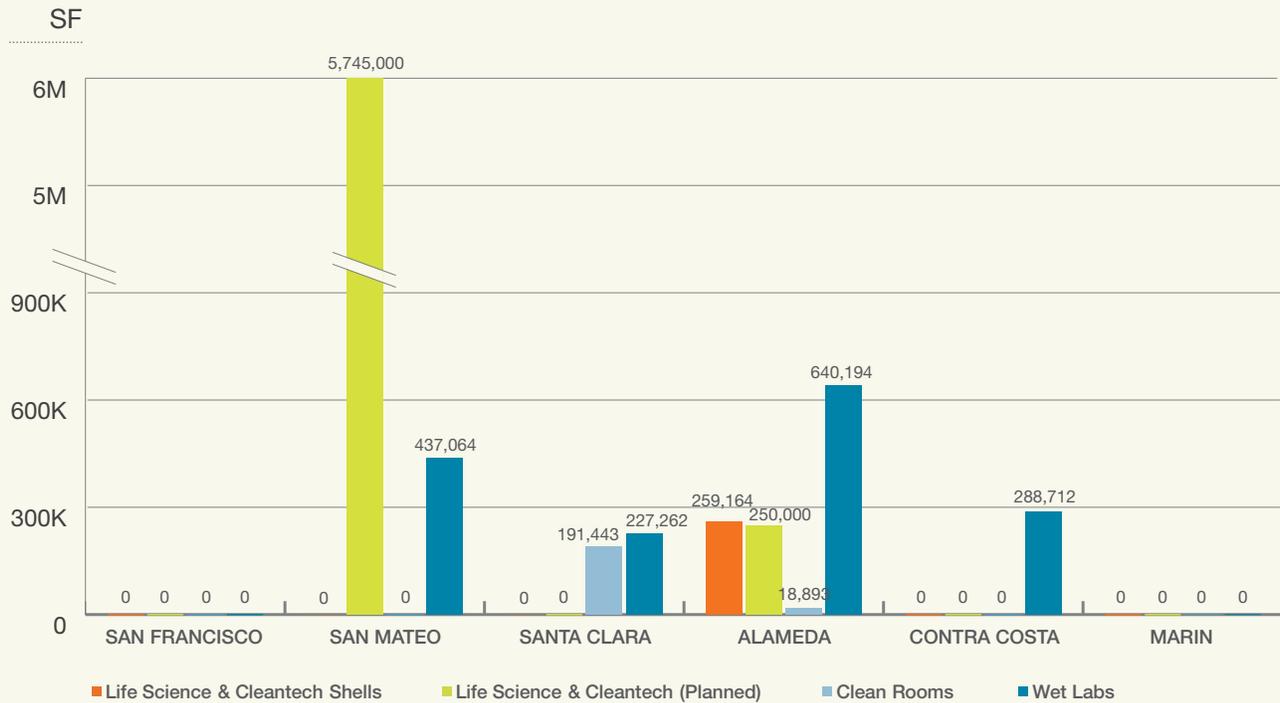
The life science market continues to be one of the healthiest markets in the Bay Area as the first quarter produced 689,996 s.f. of total gross absorption and 608,835 s.f. of net absorption. Despite low vacancy rates and a decline in the number of deals completed, the first quarter recorded one of the strongest postings in recent history. Growing uncertainty

→ Continued, page 2



Area Review

Availability by County



regarding 2016's economic conditions hasn't had a material impact on the life science demand, and reasonably healthy activity is expected to continue throughout the year. Currently there are 51 tenant requirements totaling 1,361,000 s.f., but finding existing available space to fit specific demands will be challenging in many cases.

Venture capital funding declined across all markets during the first quarter as VC's proceed more cautiously. This decrease was most evident among the seed and angel stage funding rounds due to their risk of failure. However, the Bay Area life science market continued to be a major recipient of funding as it raised \$503 million, trailing only the software industry.

SUBMARKET REVIEW

San Francisco County

San Francisco County continued to be inactive as the vacancy rate remains at 0%. The average asking rental rate also remained unchanged as it continues to fall between \$3.75 and \$5.50/s.f., NNN. The restoration of Pier 70 has begun after Orton Development secured an additional loan and their first tenant, which will be Restoration Hardware – the home furniture retailer. The 270,000 s.f. project will be completed in phases, with occupancy beginning as early as the fourth quarter of 2016. The renovation of these industrial buildings can provide for a broad range of uses, but it remains unclear how much space will be

dedicated to office, life science, and R&D. Given that Pier 70 is on the National Register of Historic Buildings, it is uncertain how the property can accommodate a life science use given its need for robust infrastructure. The Exchange on 16th Street development can provide a minimum of 200,000 to 300,000 s.f. of life science space within its 700,000 s.f. envelope, and it remains on track for a mid-2017 delivery. The Golden State Warriors Mission Bay Arena project moved one step closer as it was approved by the San Francisco Board of Supervisors, but the project continues to be delayed as the organization battles lawsuits issued by the Mission Bay Alliance. The project is currently designed for 580,000 of office space, but could potentially accommodate lab use as well.

San Mateo County

San Mateo County continued to be the most active Bay Area market with 674,568 s.f. of gross absorption and 593,407 s.f. of positive net absorption. South San Francisco remains the epicenter as it accounted for 517,609 s.f. of net absorption. Verily, Inc. (Google Life Sciences) executed the quarter's most notable transaction as they procured 407,369 s.f. at 249-269 East Grand Avenue, with Prothena Biosciences following suit as they acquired 128,751 s.f. at 331 Oyster Point Boulevard. Calithera Biosciences restructured their existing 24,900 s.f. lease, while obtaining the remaining 29,080 s.f. at 343 Oyster Point Boulevard. As the major first quarter deals were for off-market and shell spaces, the vacancy rate for existing wet lab space increased marginally to 2.65% with the addition of some 36,000 s.f. of 2nd generation space. HCP's The Cove at Oyster Point will deliver 253,000 s.f. of

new inventory during the third quarter in two buildings. One building has already been pre-leased to CytomX and Denali Therapeutics and the second building is in active negotiations. HCP also announced in January that construction for phase two had begun, which will deliver 230,000 s.f. in two more buildings by the second quarter of 2017. Rental rates continue to range between \$3.25 and \$4.75/s.f.,NNN.

Santa Clara County

First quarter activity remained quiet for Santa Clara County as available space continues to be limited. The vacancy rate was relatively unaffected at 2.02% as the county experienced 3,609 s.f. of positive net absorption. There are currently no plans to develop additional life science space as the county has emphasized the requirement for additional housing and multi-family occupancy. Average rental rates remain unaltered as they vary between \$1.95 and \$2.95/s.f.,NNN.

Alameda County

Alameda County's first quarter leasing activity declined after substantial growth in 2015. The county experienced 11,819 s.f. of positive net absorption, which was completed by Pivot Bio, Inc. at 2929 7th Street in Berkeley. With an additional 43,000 s.f. of available space added to the market, the vacancy rate increased from 5.73% to 6.09% over the previous quarter. However, the year-over-year vacancy rate has declined 1.38%. EmeryStation West, located at the Emeryville Transit Center, continues to be the lone development under construction. Once completed during the third quarter of 2017, the seven-story project will provide 250,000 s.f. of office, lab, and retail space while also offering two parking structures and access to Amtrak, buses, and EmeryGoRound shuttles. Rental rates for Alameda County continue to increase and now range from \$1.75 to \$4.20/s.f., NNN.

Contra Costa County

Contra Costa County continued to be inactive as roughly 288,000 s.f. remains vacant, which equates to a vacancy rate of 21.36%. Average rental rates continue to range between \$1.25 and \$1.65/s.f., NNN. Despite having the lowest rental rates in the Bay Area, interest remains limited.

Q1 Venture Capital Financing

Series Type	\$ Funded
Seed Stage	\$0
Series A	\$192,000,000
Series B	\$82,727,000
Series C	\$259,200,000
Series D	\$161,000,000
Series E	\$0
Series F	\$0
Undisclosed	\$633,312,000
Mezzanine	\$0
Corporate Partnership	\$0
Debt/Equity Financing	\$110,000,000
IPO	\$71,000,000
Total	\$1,509,239,000

Month Funded	# of Companies
January	15
February	13
March	11
Total	39

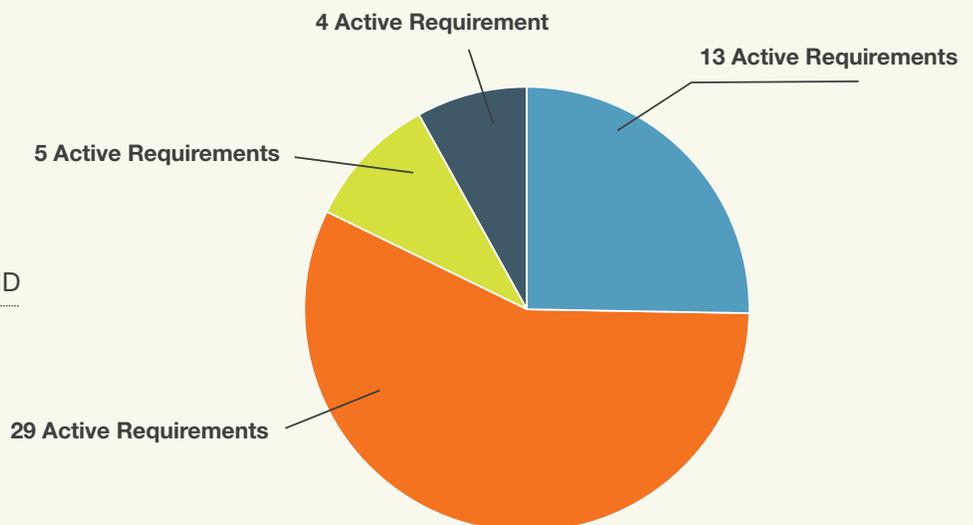
Demand for Life Science Space

DEMAND FOR LIFE SCIENCE SPACE

- 0 -9,999 SF
- 10,000 - 49,999 SF
- 50,000 - 99,999 SF
- 100,000 - 400,000 SF

TOTAL SQUARE FOOTAGE IN DEMAND

1,361,000 SF



Kidder Mathews Life Science & Cleantech Services

A COMMITMENT TO EXCELLENCE

Kidder Mathews is a corporate real estate advisory and brokerage firm. Our Life Sciences & Cleantech 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 & Cleantech 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 & cleantech 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 & Cleantech 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 and cleantech 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.

Contact

Reed Payne
Executive Vice President, Brokerage
Northern California
415.229.8888 | rpayne@kiddermathews.com

Offices

San Francisco 415.229.8888	Silicon Valley 408.970.9400	Reno 775.301.1300	San Diego 858.509.1200	Portland 503.221.9900
Peninsula 650.769.3600	Sacramento 916.751.3600	Orange County 425.454.7040	Seattle 206.296.9600	Phoenix 602.513.5200

Designated Broker: Reed Payne | LIC #00818935

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.