

Life Science & Cleantech

Notable Transactions

Merck & Co.
630 & 650 Gateway Blvd, So San Francisco
100,560 s.f.

Calico Life Sciences
1130 Veterans Blvd, So San Francisco
94,927 s.f.

Grail, Inc.
1525 O'Brien Dr, Menlo Park
79,239 s.f.

FDA
1201 Harbor Bay Pkwy, Alameda
65,810 s.f.

Corium International, Inc.
34781 Campus Dr, Fremont
48,240 s.f.

BenVenue Medical
5403 Betsy Ross Dr, Santa Clara
35,000 s.f.

Reset Therapeutics, Inc.
1 Corporate Dr, South San Francisco
33,064 s.f.

Crossmatch
6607 Kaiser Dr, Fremont
32,488 s.f.

Unity Biotechnology
3280 Bayshore Blvd, Brisbane
27,000 s.f.

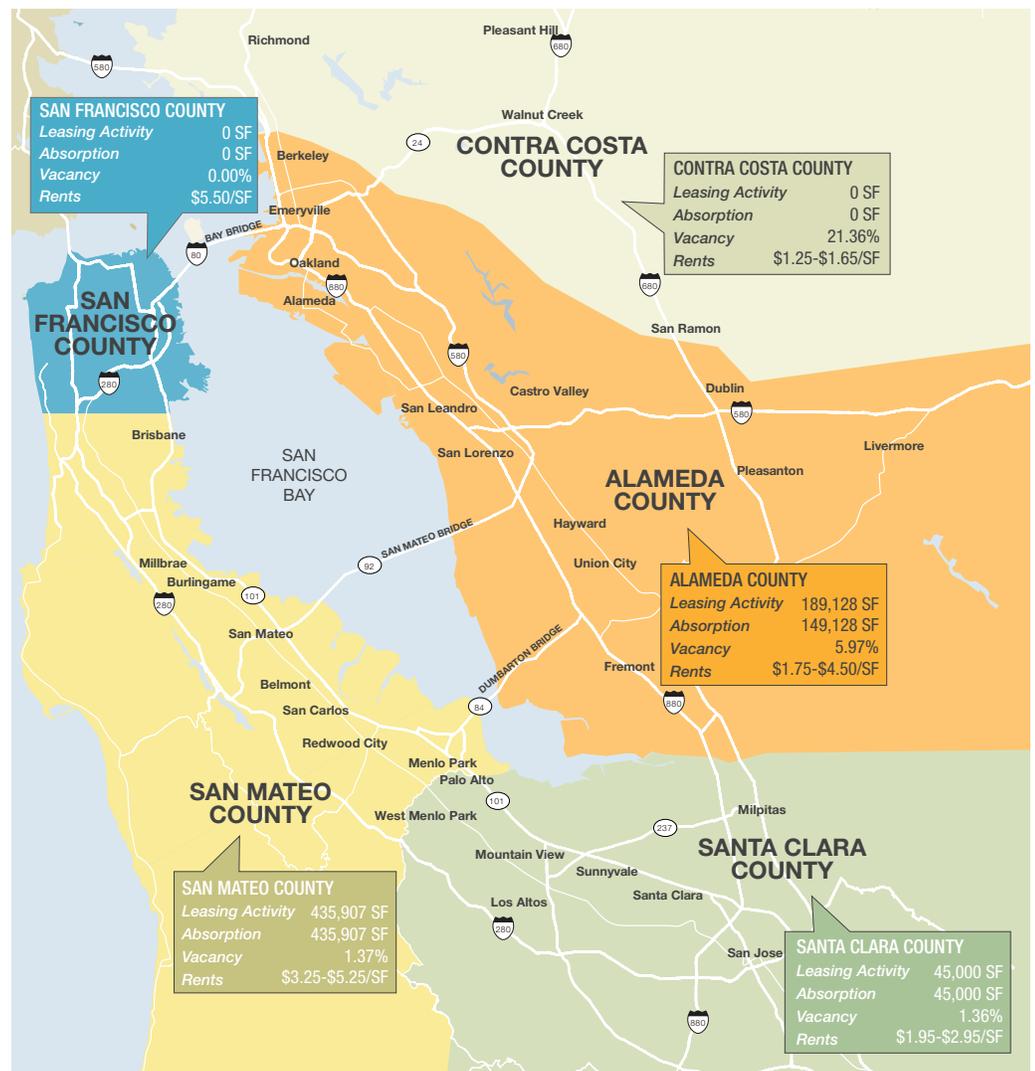
Karius
975 Island Dr, Redwood City
25,520 s.f.

Ardelyx
34175 Ardenwood Blvd, Fremont
22,003 s.f.

Fourty Seven, Inc.
1490 O'Brien Dr, Menlo Park
21,519 s.f.

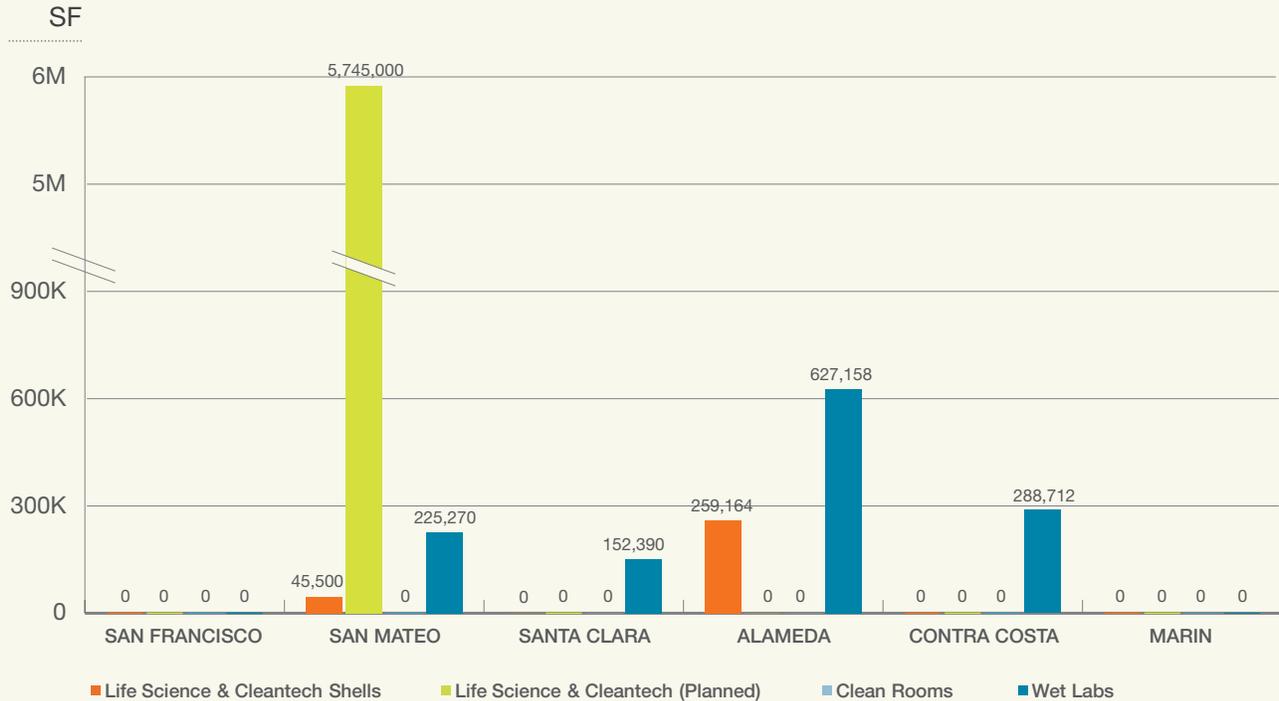
Despite some uncertainty in the global economy, the life science industry continues to produce very strong levels of growth and demand for lab space. Second quarter activity nearly echoed the results of the previous quarter, finishing with 670,035 s.f. of gross absorption and 630,035 s.f. of positive net absorption. Leasing volume doubled over the previous quarter

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Area Review

Availability by County



with 20 transactions, but the average transaction size declined 80% to 33,000 s.f. However, this remains 20% higher than the average deal size in 2015. Sustained growth in the life science industry has now pushed vacancy rates to unprecedented low levels, and with 40 tenants in the market seeking nearly 3 million s.f., vacancy rates will continue to fall. While tenant demand remains strong, leasing activity will likely tail off in the second half of 2016 as it becomes more challenging to find available space that's suitable to tenant requirements.

SUBMARKET REVIEW

San Francisco County

San Francisco maintained its 0% vacancy rate and average asking rental rate of \$5.50/s.f., NNN, but at least one development will provide some much needed expansion of inventory. Kilroy Realty's The Exchange on 16th Street project is well into its construction phase and will consist of 740,000 s.f. in four inter-connected buildings with a minimum of 330,000 s.f. being dedicated for life science space. It remains on track for a 2nd quarter 2017 delivery of the warm shell. The ultimate availability of lab space in two other development projects remains uncertain. Orton Development's 270,000 s.f. Pier 70 project will be completed in phases for a variety of uses, but it remains unclear how much space will be dedicated to office, life science, retail, and warehouse space. Given that Pier 70 is on the National Register of Historic Buildings it is uncertain how a life science use can be accommodated given its need for robust infrastructure. The Golden State Warriors Mission Bay Arena project is progressing towards breaking ground after a San Francisco Superior Court judge ruled against the Mission Bay Alliance's fight to prohibit the project. If the project does move forward, it will provide

580,000 s.f. of office space in two towers, but current plans do not make accommodation for lab space.

San Mateo County

San Mateo County continued to build on a strong first quarter as it experienced six of the ten largest transactions in the Bay Area and finished with 435,907 s.f. of positive net absorption. The robust activity also made San Mateo County the most active Bay Area county for the fifth consecutive quarter. South San Francisco continues to be a hot spot for the Peninsula as Merck & Co. leased 100,560 s.f. at 630 and 650 Gateway Boulevard, followed up by Calico Life Sciences obtaining 94,927 s.f. at 1130 Veterans Boulevard. Grail Inc. carried out the quarter's third largest transaction as they procured 79,239 s.f. at 1525 O'Brien Drive in Menlo Park. As a result of unrelenting leasing activity, the vacancy rate plummeted to 1.37%, a 48% decline over the previous quarter. HCP's The Cove at Oyster Point will provide minor short term vacancy relief after it delivers 253,000 s.f. of new inventory during the third quarter, but one of the two buildings has already been pre-leased to CytomX and Denali Therapeutics with strong activity reported on the second building. Phase two is currently under construction and will provide an additional 230,000 s.f. split between two more buildings, but it won't be ready for occupancy until late 2017. In addition, Phase 3 Properties' conversion of 200,000 s.f. of offices to lab space at the former Centennial Tower in South San Francisco will provide some additional inventory to the market by the end of the year. Rental rates for the Peninsula currently range between \$3.25 and \$5.25/s.f., NNN.

Santa Clara County

Santa Clara County experienced two transactions in the second quarter to finish with 45,000 s.f. of positive net absorption. The primary deal was

carried out by BenVenue Medical as they acquired 35,000 s.f. at 5403 Betsy Ross Drive in Santa Clara. Additionally, Translational Biosciences procured 10,000 s.f. in Sunnyvale. Despite the significant tenant demand, vacancy relief will not occur in the near future. The county continues to stress the demand for additional multifamily housing, and there are currently no plans for life science development. In fact, the county's inventory diminished after Hudson Pacific Properties sold its 70,000 s.f. vacant lab building on Patrick Henry Drive to KT Urban. The building is currently zoned for office and R&D, but KT Urban's partner is a Chinese developer that specializes in mixed-use residential projects. After the second quarter's leasing activity and shrinking inventory, the countywide vacancy rate dropped from 2.02% to a minute 1.36%. Average rental rates continue to vary between \$1.95 and \$2.95/s.f., NNN.

Alameda County

Activity in Alameda County resumed after a slow first quarter. After procuring three of the ten largest transactions in the region, the county finished with 189,128 s.f. of positive gross absorption and 149,128 s.f. of positive net absorption. The Food and Drug Administration led the way after completing a deal for 65,810 s.f. at 1201 Harbor Bay Parkway in Alameda. The Fremont submarket experienced the majority of activity as three separate transactions occurred, starting with Corium obtaining 48,240 s.f., Crossmatch acquiring 32,488 s.f., and Ardelyx procuring 22,003 s.f. Despite significant activity throughout the second quarter, the vacancy rate declined marginally from 6.09% to 5.97% as a large amount of the new leasing activity occurred in buildings outside of the existing inventory. Wareham's EmeryStation West continues to be the lone project under construction, which is located at the Emeryville Transit Center. The seven-story project is set to be delivered during the third quarter of 2017, and will provide 250,000 s.f. of lab space. The development also includes two parking structures and access to Amtrak, buses, and EmeryGoRound shuttles. Alameda County's rental rates now range between \$1.75 and \$4.50/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.

Q2 Venture Capital Financing

Series Type	\$ Funded
Seed Stage	\$0
Series A	\$50,000,000
Series B	\$302,100,000
Series C	\$0
Series D	\$19,000,000
Series E	\$0
Series F	\$0
Undisclosed	\$328,654,000
Mezzanine	\$0
Corporate Partnership	\$0
Debt/Equity Financing	\$0
IPO	\$0
Total	\$895,254,000

Month Funded	# of Companies
April	9
May	11
June	11
Total	31

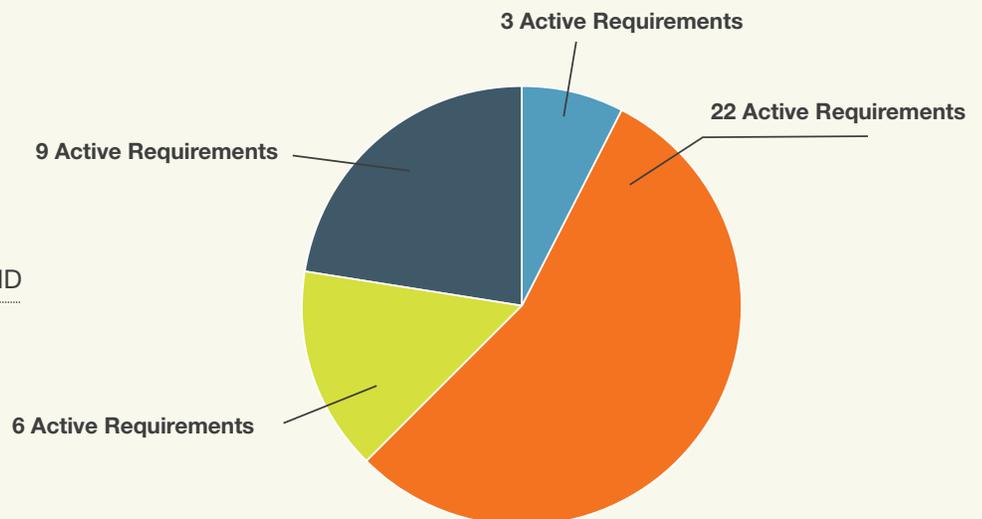
Demand for Life Science Space

DEMAND FOR LIFE SCIENCE SPACE

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

TOTAL SQUARE FOOTAGE IN DEMAND

2,897,000 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.

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