

# Life Science

## Notable Transactions

**AstraZeneca**  
121 Oyster Point Blvd, South San Francisco  
115,697 s.f.

**OptiScan Biomedical**  
24590 Clawiter Rd, Hayward  
50,400 s.f.

**Aduro Biotech**  
740 Heinz Ave, Berkeley  
50,220 s.f.

**Achaogen**  
1 Tower Pl, South San Francisco  
47,118 s.f.

**Surrozen**  
111 Oyster Point Blvd, South San Francisco  
32,813 s.f.

**The Column Group**  
111 Oyster Point Blvd, South San Francisco  
32,370 s.f.

**WaferGen**  
34700 Campus Dr, Fremont  
28,866 s.f.

**Sutro Biopharma**  
240 E Grand Ave, South San Francisco  
27,642 s.f.

**IGM Biosciences**  
325 E Middlefield Ave, Mountain View  
19,712 s.f.

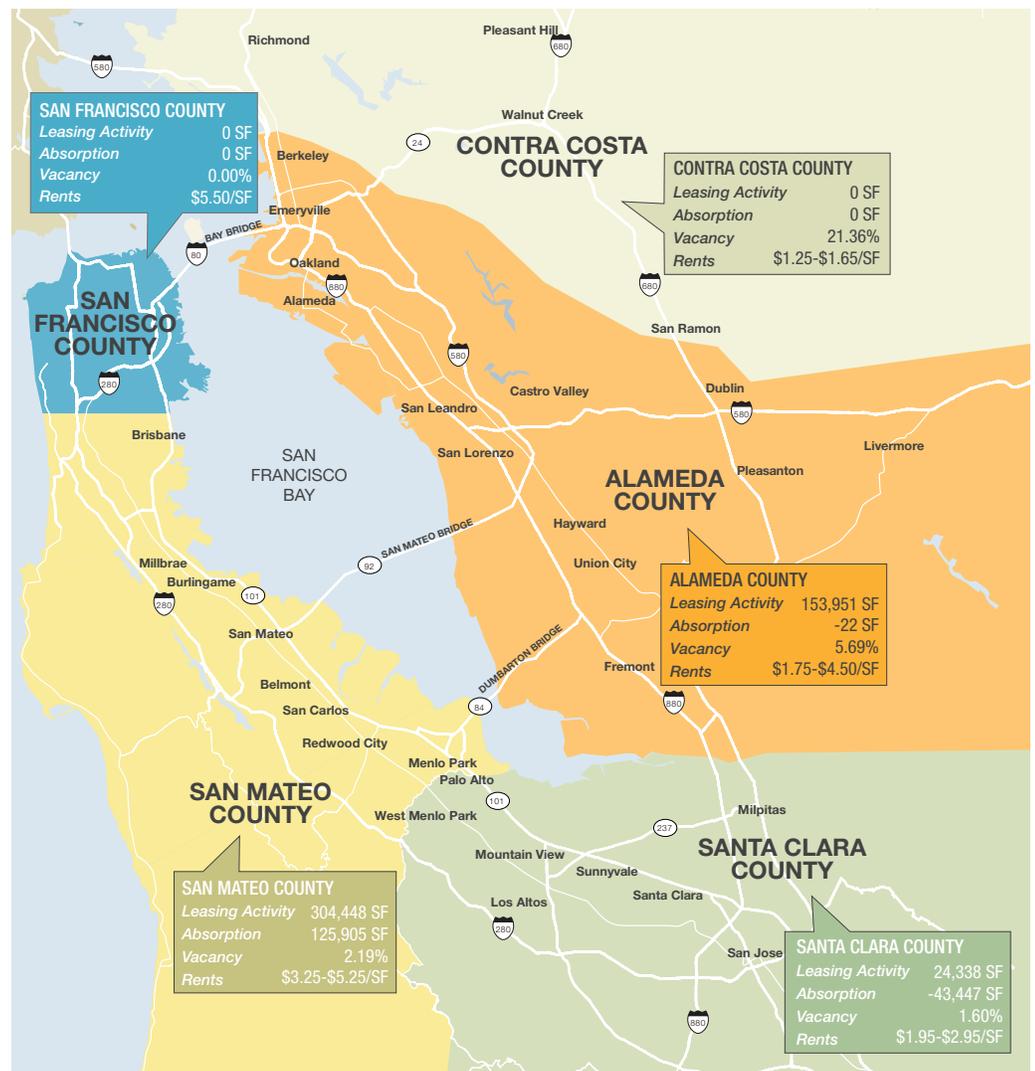
**Explora Med**  
1 Tower Pl, South San Francisco  
18,336 s.f.

**Zymergen**  
5980 Horton St, Emeryville  
16,465 s.f.

**SutroVax**  
333 Hatch Dr, Foster City  
10,000 s.f.

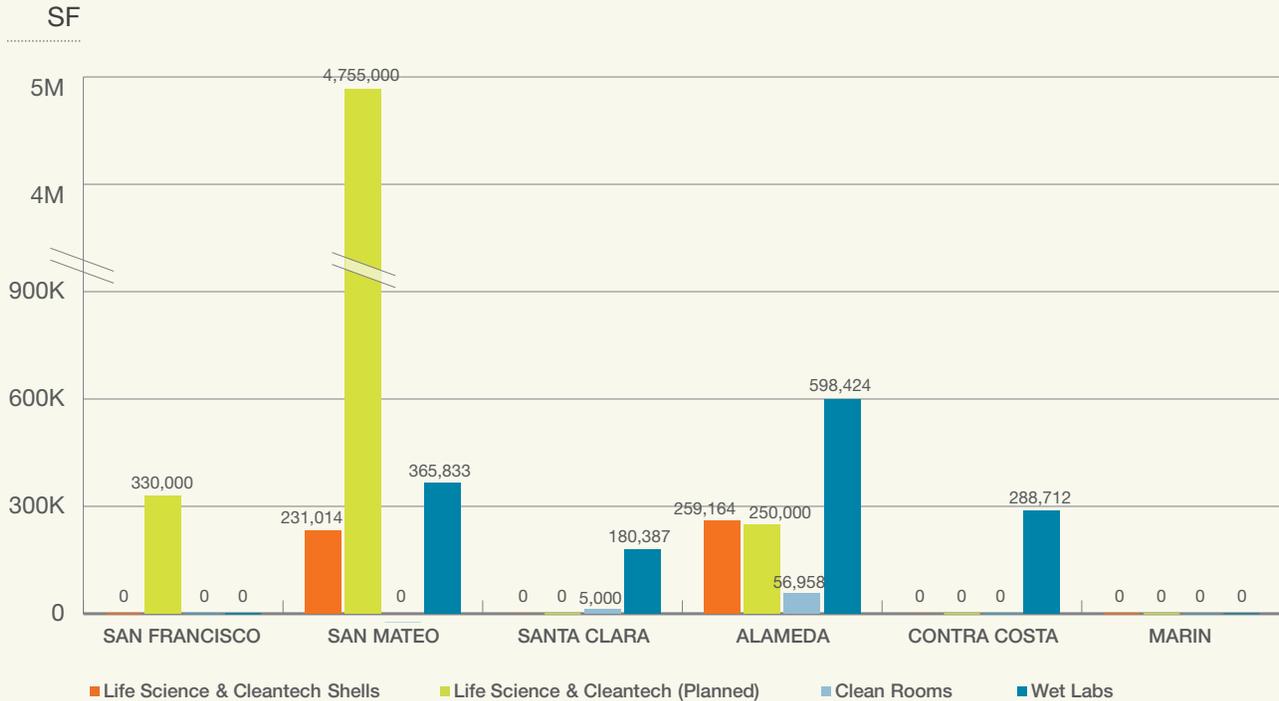
Life science leasing declined during the third quarter compared to the torrid pace of recent quarters, but the industry continues to be a core sector of the Bay Area economy, producing 482,737 square feet of gross absorption and 82,436 square feet of net absorption. The summertime slowdown was largely attributable to ongoing record-low

→ Continued, page 2



# Area Review

## Availability by County



vacancies, which stood at 3.41%. This figure was up slightly from the previous quarter after 322,000 square feet of space was placed back on the market. Despite the negligible relief, the constricted market forced some tenants to settle for smaller spaces. This led to an average transaction size of 28,396 square feet, which was a 21.9% decline from the second quarter, but only down 2.6% year-over-year. Nonetheless, leasing activity remains strong, as Kidder Mathews was tracking 41 tenants in the market seeking 3 million square feet of life-science space at quarter's end. Strong tenant demand and emerging development should translate into another healthy quarter to close out 2016, though leasing activity may remain hindered by limited supply.

## SUBMARKET REVIEW

### San Francisco County

San Francisco's vacancy rate continues to sit at 0%, with an average asking rental rate of \$5.50/s.f., NNN. The county is one step closer to notable relief, however, as the construction of Kilroy Realty's The Exchange on 16th Street project progresses. The 740,000 s.f. development is expected to supply at least 330,000 s.f. of life science space across its four interconnected buildings, which will increase the county's stock by nearly 20%. The project remains on track for a late second-quarter 2017 delivery of the warm shell, with tenant occupancy expected in early 2018.

Lab space availability remains uncertain within two other major development projects. Orton Development's 270,000 s.f. Pier 70 redevelopment will be completed in phases for a variety of users, but its inclusion on the National Register of Historic Buildings could prevent the creation of lab space because of the robust infrastructure required. The other major development is the Golden State Warriors Mission Bay

Arena project, which prevailed in San Francisco Superior Court to a significant legal challenge last quarter. Current plans for the 580,000 s.f. project do not include development provisions for lab space.

### San Mateo County

San Mateo County was the most active region during the third quarter, as it produced 304,448 s.f. of gross absorption and 125,905 s.f. of net absorption. The highly prized South San Francisco submarket continued to anchor the county's leasing activity, accounting for 286,976 s.f. of the gross absorption countywide. AstraZeneca led the way with the pre-leasing of 115,697 s.f. within phase-two of The Cove at Oyster Point. Achaogen obtained 47,118 s.f. at the recently converted Genesis project (formerly Centennial Towers), while phase-one of The Cove at Oyster Point welcomed a 32,813 s.f. agreement from Surrozen and a 32,370 s.f. procurement from The Column Group. Sutro Biopharma followed closely behind as they renewed 27,642 s.f. at 240 East Grand Avenue.

While San Mateo County continued to experience healthy leasing activity, the county's vacancy rate increased slightly due to a combination of new deliveries, space being placed back on the market, and notable leases occurring at off-market properties. Re-listed space was led by a 65,340 s.f. availability at 349 Oyster Point Boulevard. Elsewhere, The Cove at Oyster Point delivered 253,000 s.f. within its two-building phase-one completion, but one of the buildings was already pre-leased by CytomX and Denali Therapeutics, while the second building is half-committed with strong interest on the balance. Phase-two, which will provide a total of 230,000 s.f. split between two buildings, remains on pace for a first-quarter 2017 delivery of the warm shells and drew the significant pre-lease from AstraZeneca. San Diego-based Phase 3 Properties is nearing completion on the conversion of Genesis Tower South at 1 Tower Place, which will provide an additional 200,000 s.f. of office and lab space of which approximately 65,000 s.f.

has been pre-leased. Phase 3 Properties is also planning to break ground on the Genesis Tower North building during the first half of 2017. Once completed, that project will provide approximately 400,000 s.f. of additional office and lab space. Rental rates in San Mateo County continue to vary between \$3.25 and \$5.25/s.f., NNN.

### Santa Clara County

Santa Clara County's constrained market yielded just two transactions for a combined 24,338 s.f. of gross absorption and 43,447 s.f. of negative net absorption. IGM Biosciences accounted for the majority of the third quarter's leasing activity by acquiring 19,712 s.f. at 325 East Middlefield Avenue in Mountain View. The county's vacancy rate increased marginally to 1.6% after three spaces totaling 67,785 s.f. were added in the San Jose submarket. Despite the vacancy rate staying extraordinarily low, there are no plans for new development as county officials continue to press for multifamily housing. Average rental rates remain between \$1.95 and \$2.95/s.f., NNN.

### Alameda County

Alameda County was the second-most-active region in the Bay Area with a total of 153,951 s.f. of gross absorption and a negligible loss in net absorption. It was also home to two of the three most notable Bay Area transactions, as OptiScan Biomedical renewed 50,400 s.f. in Hayward and Aduro Biotech expanded by 50,220 s.f. in Berkeley. Additionally, WaferGen committed to 28,866 s.f. in Fremont. As a result of healthy leasing activity and 134,486 s.f. that was taken off the market, the vacancy rate declined marginally to 5.69%, which was balanced in part by 103,573 s.f. of newly listed space. The most notable property to come available again was the 48,240 s.f. space at 34781 Campus Drive in Fremont, which Corium leased during the second quarter, before terminating the lease and forgoing occupancy. Supply constraints in the north county should be minimized when Wareham Development's EmeryStation West project is completed during the third quarter of 2017. The seven-story project will supply 250,000 s.f. of lab space, along with two parking structures and access to Amtrak, buses, and EmeryGoRound shuttles. As vacancy remains tight, average rental rates held between \$1.75 and \$4.50/s.f.

### Contra Costa County

Contra Costa County remained dormant, as roughly 288,000 s.f. continues to be vacant, which equates to a vacancy rate of 21.36%. Average rental rates continue to fall between \$1.25 and \$1.65/s.f., NNN, but tenant interest remains limited despite these lower price tags.

### Q3 Venture Capital Financing

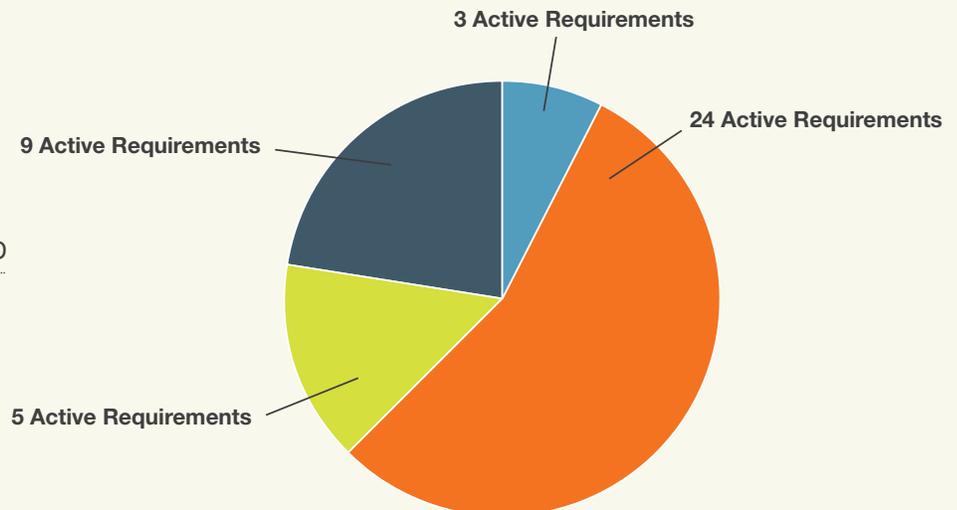
Series Type	\$ Funded
Seed Stage	\$0
Series A	\$120,000,000
Series B	\$266,600,000
Series C	\$49,000,000
Series D	\$0
Series E	\$0
Series F	\$0
Series G	\$0
Undisclosed	\$620,103,000
Mezzanine	\$0
Corporate Partnership	\$0
Debt/Equity Financing	\$0
IPO	\$90,000,000
<b>Total</b>	<b>\$1,145,703,000</b>

Month Funded	# of Companies
July	8
August	8
September	8
<b>Total</b>	<b>24</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  
3,067,000 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

Orange County  
949.557.5000

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

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Designated Broker  
Reed Payne | LIC #00818935

## 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.