

Life Science

Notable Transactions

Global Blood Therapeutics
171 Oyster Point Blvd, South San Francisco
67,185 s.f.

Neurona Therapeutics
170 Harbor Way, South San Francisco
46,500 s.f.

Protagonist Therapeutics
7707 Gateway Blvd, Newark
42,877 s.f.

Chan Zuckerberg Biohub
499 Illinois St, San Francisco
39,000 s.f.

Minerva
101-199 Saginaw Dr, Redwood City
26,000 s.f. (renewal)

Capacitor Sciences
1605 Adams Dr, Menlo Park
21,500 s.f.

Applied Molecular Transplant
1 Tower Pl, South San Francisco
19,000 s.f.

InVisage Technologies
7979 Gateway Blvd, Newark
18,704 s.f.

Spirox
595 Penobscot Blvd, Redwood City
18,512 s.f.

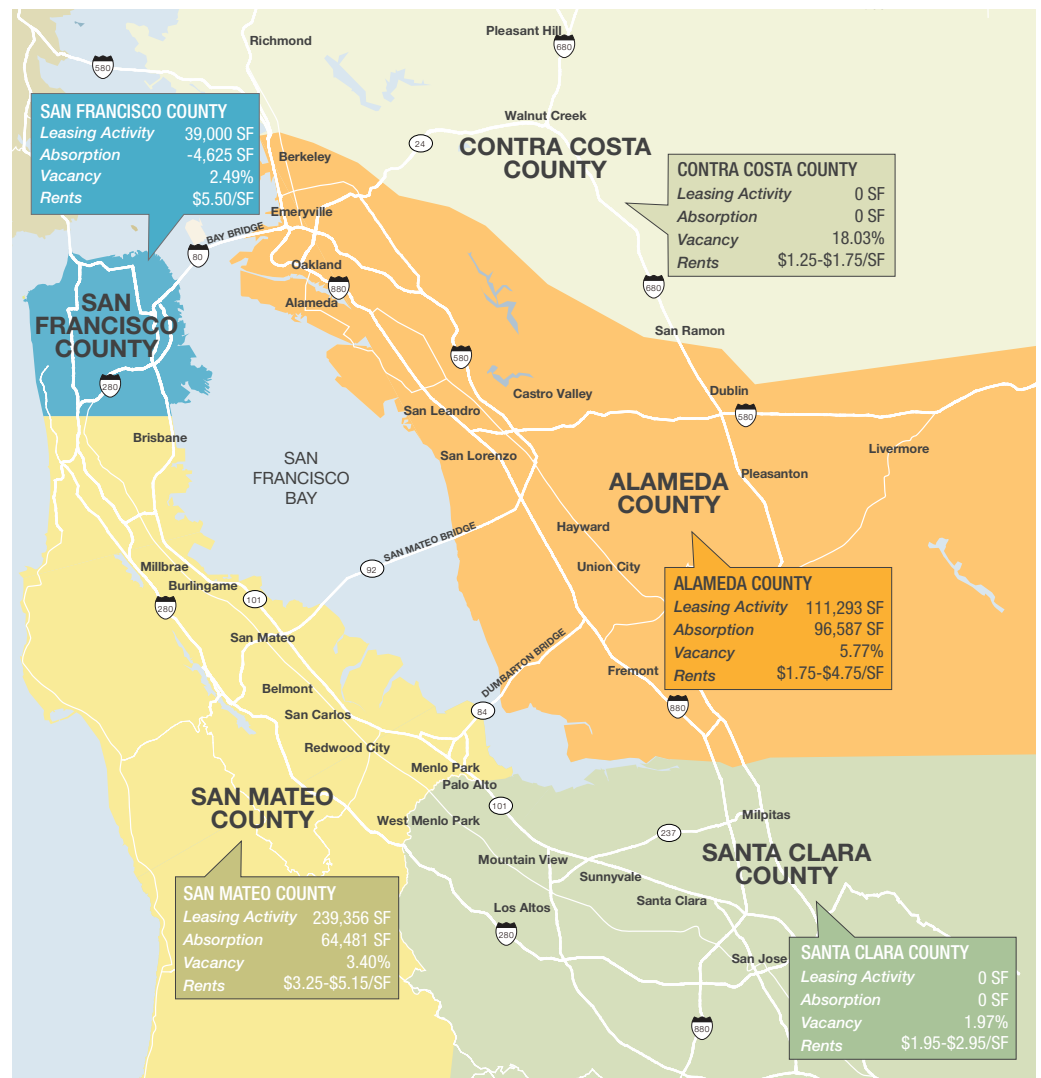
Quintara Biosciences
3825 Bay Center Pl, Hayward
17,663 s.f.

Confidential
3280 Bayshore Blvd, Brisbane
17,000 s.f.

Zymergen
5860-5864 Hollis St, Emeryville
16,352 s.f.

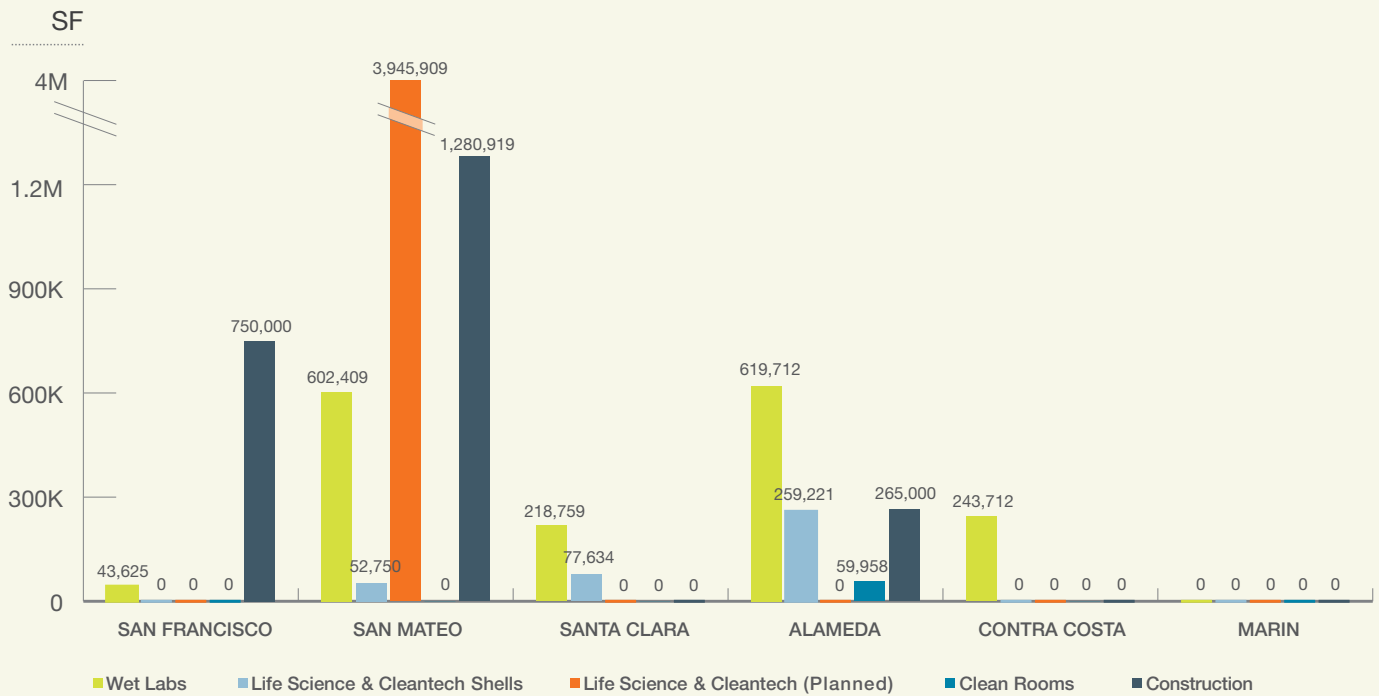
The Life Science industry continues to be one of the most active in the Bay Area after finishing the first quarter with 389,649 square feet (s.f.) of gross absorption and 156,443 s.f. of positive net absorption. San Mateo County and Alameda County continue to drive the region's leasing activity, accounting for nearly 90% of the first quarter's absorption.

→ Continued, page 2



Area Review

Availability by County



Despite modest net absorption, newly built-out product added to the market led to a 0.19% increase in the Bay Area's overall vacancy rate, which remains constricted at 4.01%. Roughly 2.3 million s.f. of life science space is currently under construction, but the majority of product set to be delivered in 2017 has been pre-leased or is actively engaged in negotiations for pre-leasing. Tenants continue to be challenged in finding product suitable to their requirements, as demand and competition for space remains strong. Kidder Mathews is currently tracking 42 tenants in the market requiring 3.42 million s.f. of life science space. This is a sizable increase over the previous quarter, as scientific advancement, partnering, and venture capital funding all remain strong. The first quarter saw overall VC funding increase 56.7% over the previous quarter to approximately \$2.26 billion, while the average deal volume increased 13% to \$75.4 million. Limited availabilities will be the only obstacle hindering the life science market throughout 2017 as leading indicators point to continuing strength in the industry.

SUBMARKET REVIEW

San Francisco County

San Francisco was the beneficiary of a unique transaction by the Chan Zuckerberg Biohub, which acquired 39,000 s.f. from UC San Francisco at 499 Illinois Street. The Chan Zuckerberg Biohub, a subdivision of the Chan Zuckerberg Initiative, will use the space to allow leading physicians, scientists, and engineers from UC San Francisco, UC Berkeley, and Stanford University to work collaboratively on ground breaking scientific developments. The institution says it will invest in early-stage research with long time horizons by providing five years of unrestricted funding. 499 Illinois has San Francisco's only meaningful first quarter availability, with Pfizer having listed their former 43,625 s.f. Medivation space for sublease, bumping the county's vacancy rate to 2.49%. The only short and medium term vacancy relief on the horizon is Kilroy Realty's 750,000 s.f. Exchange on 16th Street project. The project will be ready for tenant

improvements during the third and fourth quarters of 2017, and move-in ready during the summer and fall of 2018. The county's asking rental rate continues to lead the Bay Area at \$5.50/s.f., NNN.

Future development of life science space in San Francisco remains unknown. Forest City Development's draft environmental impact report (DEIR) for their Pier 70 project did not include plans for life science space.

San Mateo County

San Mateo County again led the Bay Area's leasing activity with 239,356 s.f. of gross absorption, but managed just 64,481 s.f. of net absorption after 144,703 s.f. was added to the market. However, several new availabilities are short term subleases from recently acquired companies, which include Topera in Menlo Park and Heron Therapeutics in Redwood City. South San Francisco played host to the Bay Area's most notable transaction as Global Blood Therapeutics (GBT) obtained the final 67,185 s.f. at building 4 of HCP, Inc.'s The Cove at Oyster Point. GBT will occupy the building in December when the tenant improvements are completed. South San Francisco experienced significant additional activity as Neurona Therapeutics leased 46,500 s.f. at 170 Harbor Way, while Applied Molecular Transplant and Clara Foods committed to 19,000 s.f. and 14,209 s.f., respectively, at the recently converted Genesis South Tower. Redwood City's Seaport Centre completed two notable deals, with Minerva's renewal of 26,000 s.f., and an 18,512 s.f. lease to Spirox at 595 Penobscot Boulevard. The county's final transaction was executed by a confidential tenant who took 17,000 s.f. at 3280 Bayshore Boulevard in Brisbane.

The county's vacancy rate increased 1% to 3.4% during the first quarter due to new space being added to the market. Despite the modest short-term supply increase, strong demand will ensure that vacancies will remain constricted throughout the Peninsula. South San Francisco in particular has just 215,027 s.f. of immediately available space. Phase two

of HCP's The Cove is the only project set to be delivered in 2017, but both buildings have been pre-leased by AstraZeneca and Five Prime Therapeutics. The next delivery of new product won't happen until late-2018 to early-2019 when several projects are expected to be completed. Phase three of HCP's The Cove will deliver 335,670 s.f., while Phase 3 Properties' Genesis North Tower will supply 420,000 s.f. BioMed Realty is expected to break ground on phase one of their Gateway of Pacific project during the second quarter. The 1.3 million square foot campus will be built out in phases, with phase one consisting of 500,000 s.f. of life science space. The project is expected to be ready for tenant improvements at the end of 2018 and ready for occupancy by summer 2019. Asking rental rates in San Mateo County continue to settle between \$3.25 and \$5.15/s.f., NNN.

Santa Clara County

Santa Clara County was quiet during the first quarter with minimal leasing activity. There were no properties added to the market, while the overall vacancy rate dropped 0.41% after 45,806 s.f. was pulled from the inventory. The vacancy rate currently stands at 1.97%. Asking rates remain relatively inexpensive between \$1.95 and \$2.95/s.f., NNN, but tenant interest continues to be limited. There are no major development plans for life science use, but existing and future "flex" space could potentially accommodate tenant demand.

Alameda County

Alameda County experienced 111,293 s.f. of gross absorption and a Bay Area leading 96,587 s.f. of net absorption. The city of Newark led the way as Protagonist Therapeutics and InVisage Technologies leased 42,877 s.f. and 18,704 s.f., respectively, at Pacific Research Center. Quintara Biosciences followed up with 17,663 s.f. at 3825 Bay Center Place in Hayward, while Pulse Biosciences procured 15,697 s.f. at 3955 Point Eden Way in Hayward. Emeryville's lone transaction was carried out by Zymergen, who agreed to lease 16,352 s.f. at 5860-5864 Hollis Street. Healthy leasing activity dropped the county's vacancy rate 0.73% to 5.77%. Wareham Development's 265,000 s.f. EmeryStation West project is expected to bring some vacancy relief when the warm shell is delivered during the third quarter of 2017. Asking rental rates continue to fluctuate between \$1.75 and \$4.75/s.f., NNN.

Contra Costa County

Contra Costa County saw modest leasing activity at JOINN Innovation Park in Richmond. Approximately 243,712 s.f. remains vacant in the county, which equates to a vacancy rate of 18.03%. Asking rental rates continue to settle between \$1.25 and \$1.75/s.f., NNN, but tenant interest remains limited despite discounted rates in comparison to the rest of the Bay Area.

Q1 Venture Capital Financing

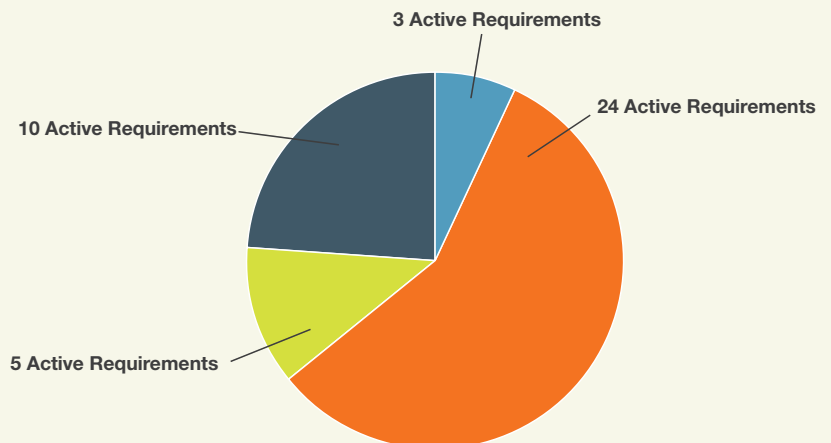
Series Type	\$ Funded
Seed Stage	\$0
Series A	\$188,000,000
Series B	\$930,000,000
Series C	\$177,000,000
Series D	\$15,000,000
Series E	\$0
Series F	\$0
Series G	\$0
Undisclosed	\$952,450,000
Mezzanine	\$0
Corporate Partnership	\$0
Debt/Equity Financing	\$0
IPO	\$0
Total	\$2,262,450,000

Month Funded	# of Companies
January	8
February	11
March	11
Total	30

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
3,420,000 SF



kiddermathews.com

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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.