

Real Estate Market Review

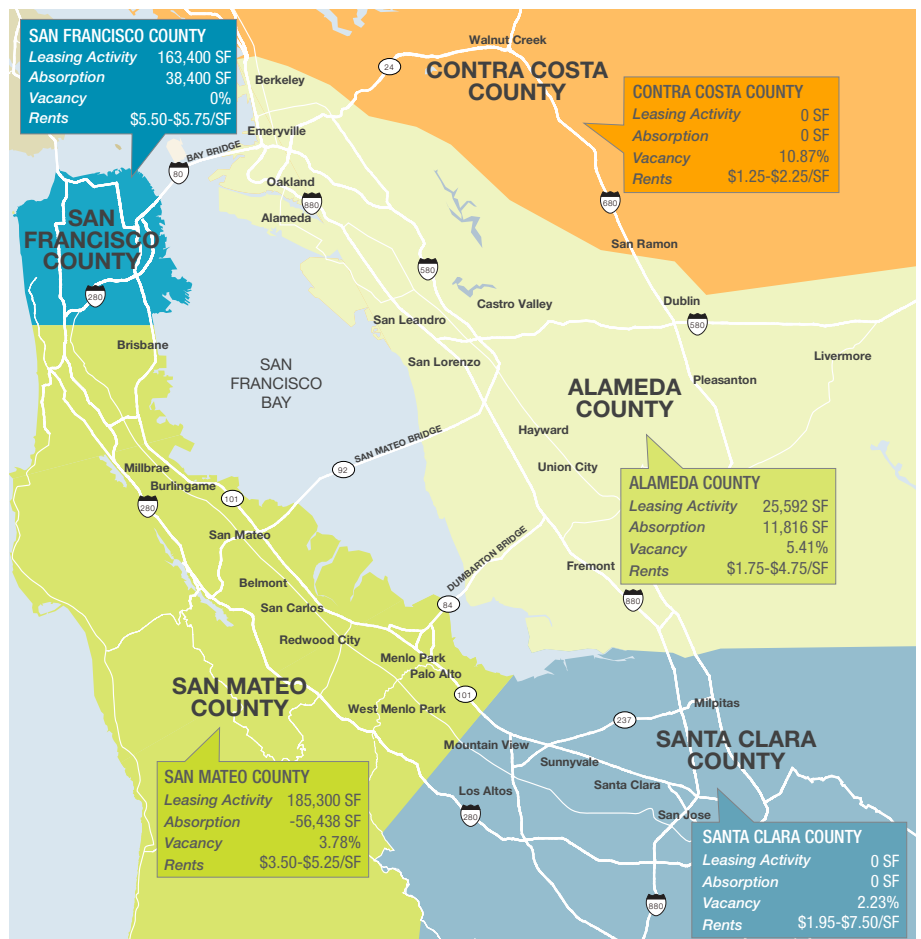
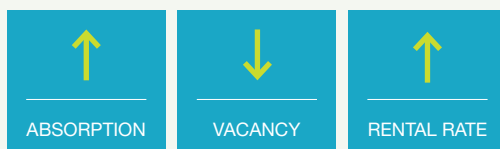
# Bay Area Life Science

The Bay Area life science market continued to experience steady leasing activity after finishing the third quarter with 374,292 s.f. of gross absorption. Older spaces being vacated by growing companies, along with some new short-term subleases, led to a slight negative net absorption of 6,222 s.f. San Mateo County and San Francisco County were the primary drivers in leasing activity as they accounted for 93% of the activity in the region. The Bay Area's overall vacancy rate increased marginally to 3.82%, but will likely decline due to strong demand for space and expiration of transitional short-term subleases. Tenant demand increased more than 500,000 s.f. since the previous quarter as we're currently tracking 45 tenants requiring an astounding 3.97 million s.f.

### Notable Lease Transactions

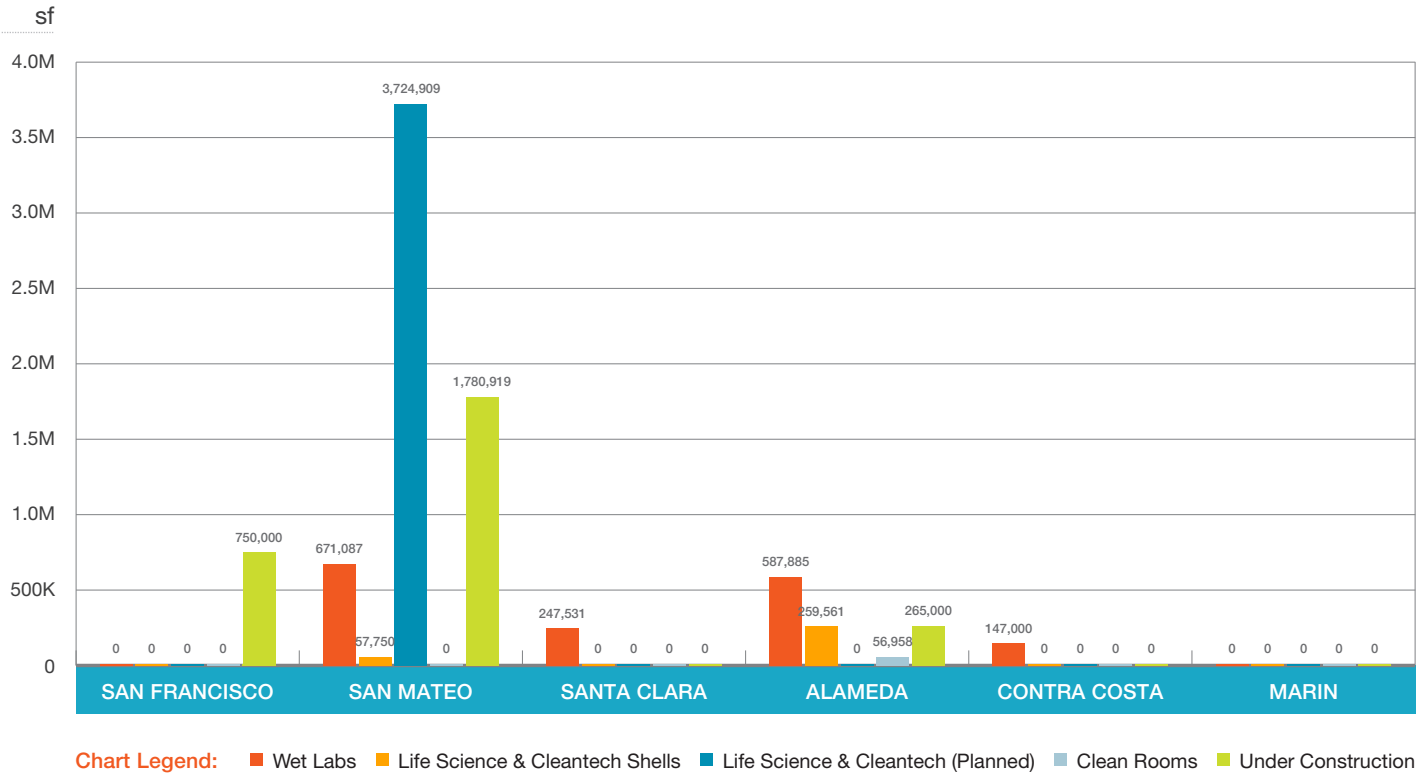
<b>Nektar Therapeutics</b> 455 Mission Bay Boulevard San Francisco 153,000 s.f.	<b>Pulse Biosciences</b> 3957 Point Eden Way Hayward 15,700 s.f.
<b>Cutera</b> 3240 Bayshore Boulevard Brisbane 63,002 s.f.	<b>GigaGen</b> 1 Tower Place South San Francisco 15,000 s.f.
<b>Achaogen</b> 1 Tower Place South San Francisco 51,886 s.f.	<b>BlackThorn Therapeutics</b> 780 Brannan Street San Francisco 10,400 s.f.
<b>Kezar Life Sciences</b> 4000 Shoreline Court South San Francisco 24,357 s.f.	<b>Fluxion Biosciences</b> 1600 Harbor Bay Parkway Alameda 9,892 s.f.
<b>Color Genomics</b> 831-839 Mitten Road Burlingame 20,000 s.f.	<b>Mission Bio</b> 6000 Shoreline Court South San Francisco 8,075 s.f.

### Market Forecast Trends



# Area Review

## AVAILABILITY BY COUNTY



Venture capital funding was also prolific as the Bay Area experienced 48 successful rounds accumulating nearly \$3 billion in the third quarter alone. 2.8 million s.f. of life science space remains under construction as no new product was delivered, and increased funding and tenant demand will continue to challenge tenants with finding product suitable to their requirement, particularly in the smaller size ranges.

## SUBMARKET REVIEW

### San Francisco County

San Francisco had two transactions during the third quarter, with Nektar Therapeutics leading the way. Nektar renewed 125,000 s.f. and will be expanding into an additional 28,000 s.f. at 455 Mission Bay Boulevard for a total of 153,000 s.f. BlackThorn Therapeutics also moved into their 10,400 s.f. space at 780 Brannan Street after the building was converted to accommodate life science use. Kilroy Realty's 750,000 s.f. Exchange on 16th Street project continues to be the only development that can accommodate life science users, but there is interest and competition between life science and tech tenants. San Francisco continues to experience a 0% vacancy rate, with asking rental rates varying between \$5.50 and \$5.75/s.f., NNN.

### San Mateo County

San Mateo County experienced 185,300 s.f. of gross absorption from six of the Bay Area's nine notable third quarter transactions, but finished with negative 56,438 s.f. of net absorption mainly due to an older 115,000 s.f. space being vacated by Exelixis. As a result, the vacancy rate increased slightly to 3.78%. The largest transaction was carried out by Cutera when they renewed 66,002 s.f. at 3240 Bayshore Boulevard in Brisbane. Genesis South Tower in South San Francisco is nearly fully leased up as Achaogen exercised its option to expand into another 51,866 s.f., followed by GigaGen's procurement of 15,000 s.f. Kezar Life Sciences is relocating and expanding into 24,357 s.f. at 4000 Shoreline Court, while Mission Bio wrapped up South San Francisco's leasing activity with 8,075 s.f. at 6000 Shoreline Court. Lastly, Color Genomics committed to 20,000 s.f. at 831-839 Mitten Road in Burlingame.

1.78 million s.f. of life science product remains under construction, with 1.26 million s.f. still available for lease. AstraZeneca and FivePrime Therapeutics have preleased phase two of HCP's The Cove at Oyster Point, and Merck will occupy the entire 293,855 s.f. at Alexandria Real Estate Equities 213 East Grand project. Phase three of The Cove will

deliver the next wave of available product during the third quarter of 2018, which will total 335,670 s.f. Phase 3 Properties will deliver 420,000 s.f. at the Genesis North Tower during the first quarter of 2019, while BioMed Realty's phase one of the Gateway of Pacific project will deliver 500,000 s.f. during the third quarter of 2019. Asking rental rates increased slightly and vary between \$3.50 and \$5.25/s.f., NNN.

### Santa Clara County

Santa Clara County experienced zero activity for the third consecutive quarter, but the county's vacancy rate declined marginally to 2.23% as product was taken off the market. Asking rental rates continue to fall between \$1.95 and \$7.50/s.f., NNN, but tenant demand remains limited. There are no major development plans for life science use, but existing and future "flex" space could potentially accommodate life science tenants. 1450 Page Mill Road in Palo Alto could potentially accommodate a life science user as the 77,634 s.f. shell building was acquired by Alexandria Real Estate Equities earlier this year, but their plans for the building remain unknown.

### Alameda County

After a very active second quarter, Alameda County cooled off as the third quarter experienced two minor deals. Pulse Biosciences started with the procurement of 15,700 s.f. at 3957 Point Eden Way in Hayward, while Fluxion Biosciences moved into 9,892 s.f. at 1600 Harbor Bay Parkway in Alameda. The county remains fairly constricted with a 5.41% vacancy rate, but the warm shell delivery of Wareham Development's new 265,000 s.f. EmeryStation West project will occur during the fourth quarter of 2017. Asking rental rates in Alameda County continue to range between \$1.75 and \$4.75/s.f., NNN.

### Contra Costa County

Contra Costa County was inactive during the third quarter and continues to see a vacancy rate of 10.87%. Despite rental rates ranging between \$1.25 and \$2.25/s.f., NNN, tenant remains limited.

### Q3 Venture Capital Financing

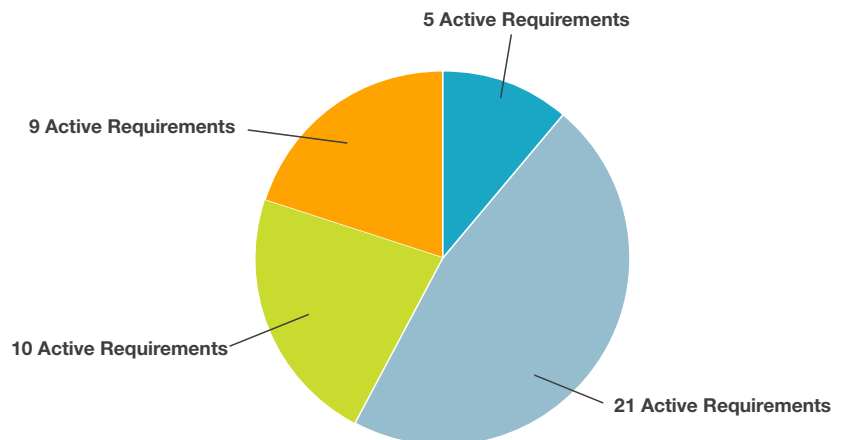
Series Type	\$ Funded
Seed Stage	\$20,100,000
Series A	\$299,520,000
Series B	\$442,360,000
Series C	\$256,780,000
Series D	\$292,430,000
Series E	\$615,000,000
Series F	\$250,000,000
Series G	\$0
Mezzanine	\$0
Undisclosed	\$145,620,000
Acquisition	\$394,880,000
Debt / Equity Financing	\$0
IPO	\$150,000,000
PIPE	\$85,040,000
Research Grant	\$3,000,000
Corporate Partnership	\$0
<b>Total</b>	<b>\$2,954,730,000</b>

Month Funded	# of Companies
July	17
August	22
September	9
<b>Total</b>	<b>48</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  
3,970,000 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

Los Angeles  
213.880.5250

Commerce  
323.727.1144

Long Beach  
562.472.0071

Orange County  
949.557.5000

Inland Empire  
909.764.6500

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

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602.513.5200

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Designated Broker  
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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.