

Real Estate Market Review

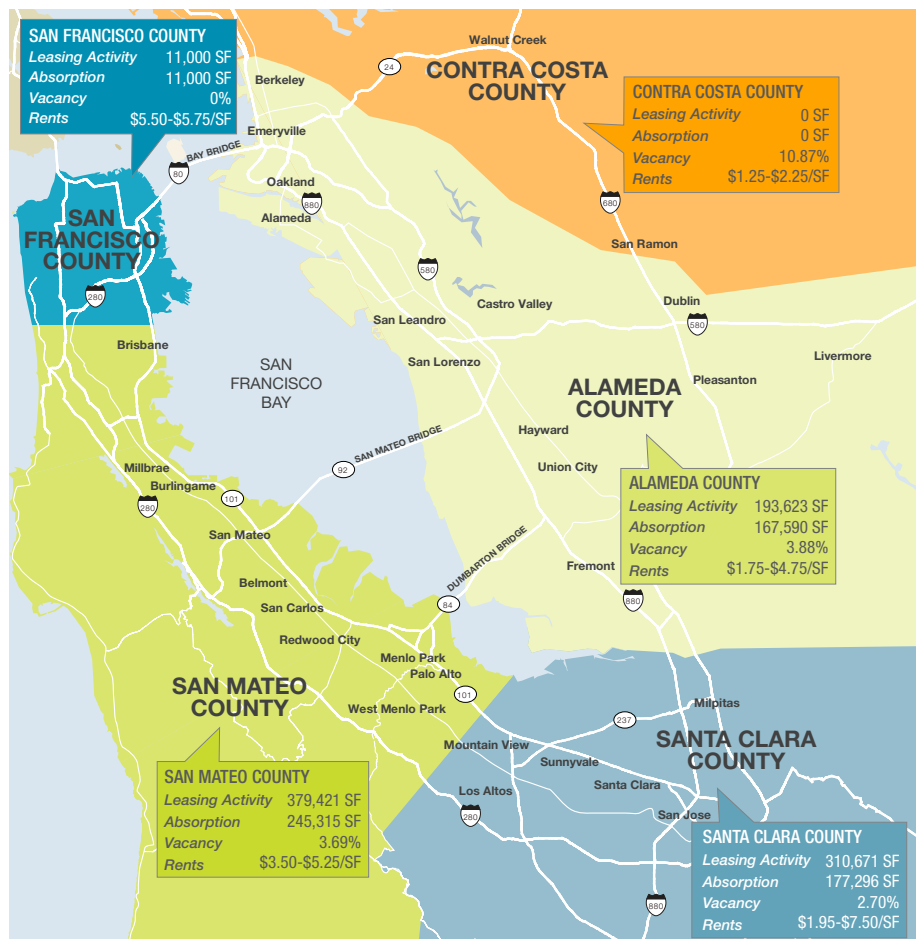
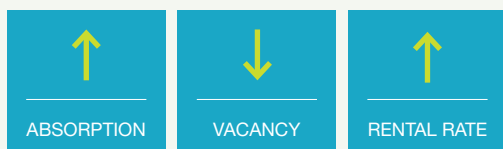
Bay Area Life Science

With significant and diverse leasing activity, the Bay Area life science market finished the year strongly with 894,715 s.f. of gross absorption and 601,201 s.f. of positive net absorption in the fourth quarter. San Mateo, Alameda, and Santa Clara Counties were the dominant locations for leasing activity in the fourth quarter, accounting for 98% of the Bay Area’s activity. Despite further decrease in the overall vacancy rate, which now stands at 3.51%, some increase is expected with the arrival of new life science developments in the coming year. Although tenant demand remains high, limited availabilities will likely hinder leasing activity in 2018. Venture capital funding increased to nearly \$3 billion, with life science startup Grail leading the way with a significant round of funding.

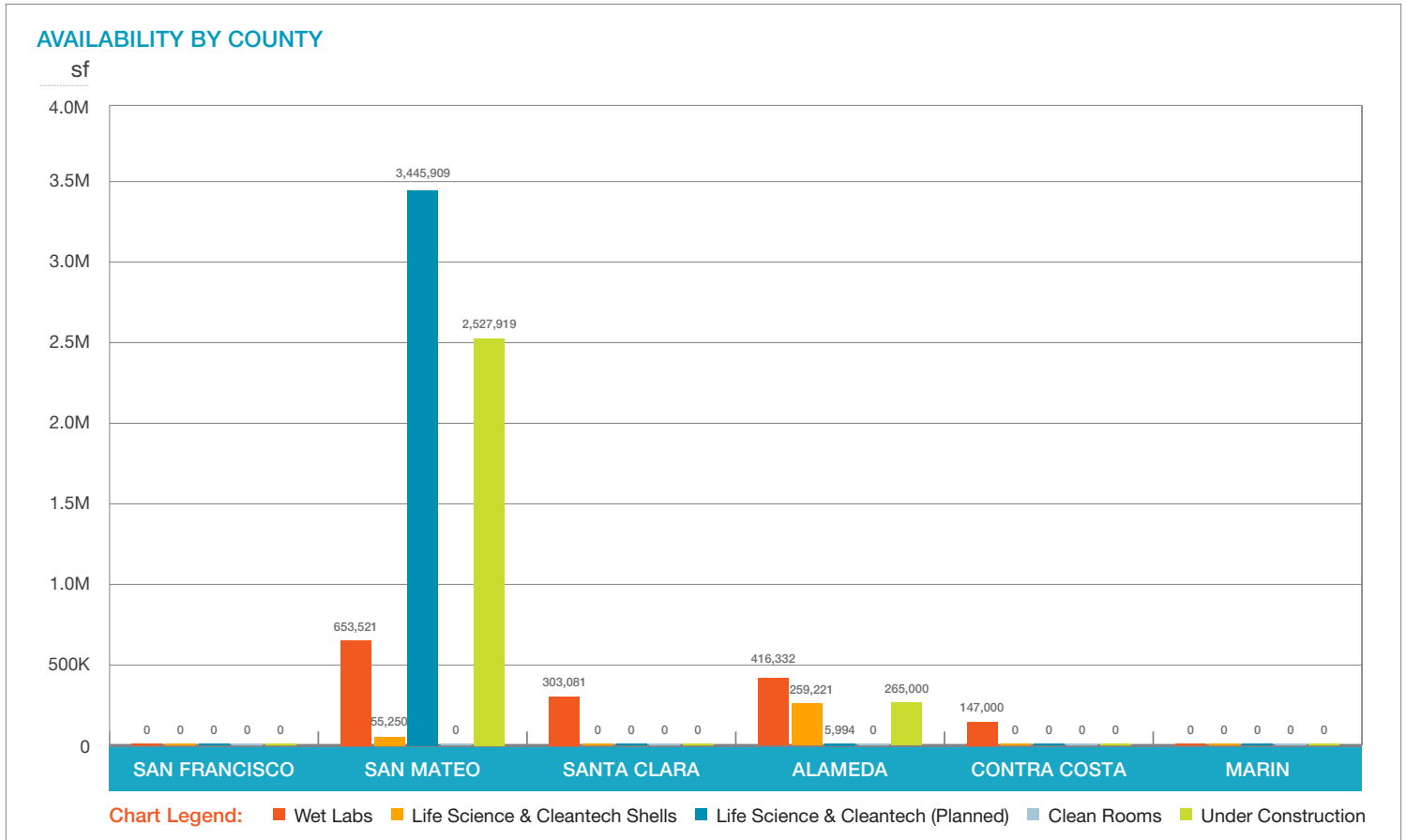
Notable Lease Transactions

Roche 2801-2881 Scott Boulevard Santa Clara 310,671 s.f.	Neuralink 7400 Paseo Padre Fremont 48,240 s.f.
Sangamo Therapeutics 7000 Marina Boulevard Brisbane 87,695 s.f.	Corbion 1 Tower Place South San Francisco 32,355 s.f.
Cytokinetics 280 E Grand Avenue South San Francisco 80,000 s.f. (renewal)	Clovis Oncology 1330 Broadway Oakland 32,000 s.f. (office)
Siemens 725 Potter Street Berkeley 75,000 s.f. (renewal)	Origene Technologies 425 Eccles Avenue South San Francisco 20,935 s.f.
Guardant Health 123 & 220 Saginaw Drive Redwood City 50,515 s.f.	Gynesonics 600 Chesapeake Drive Redwood City 24,600 s.f.

Market Forecast Trends



Area Review



SUBMARKET REVIEW

San Francisco County

San Francisco had one transaction this quarter, with BioQ Pharma leasing 11,000 s.f. at 1325 Howard Street. Although Kilroy Realty's 750,000 s.f. Exchange on 16th Street drew strong interest from life science companies, Kilroy opted for a single-tenant user, with tech company Dropbox acquiring the space. While tenant demand remains strong, there is no inventory, and thus users have been forced to look at San Mateo and Alameda Counties to accommodate their growing need for space. The county continues to experience a 0% vacancy rate, with the most recent asking rates between \$5.50 and \$5.75/s.f., NNN. Future development of life science space remains unclear, as competition remains tight among tech and life science tenants.

San Mateo County

Leasing activity was strong in San Mateo County this quarter, as it closed the year with 379,421 s.f. of gross absorption and finished with a positive 245,315 s.f. of net absorption. South San Francisco led the Peninsula with 166,973 s.f. of gross absorption in the fourth quarter, with Cytokinetics renewing

80,000 s.f. at 280 E. Grand Avenue and Origene Technologies securing 20,935 s.f. at 425 Eccles Avenue. Genesis South Tower in South San Francisco became fully leased, as Corbion acquired the final floor of 32,355 s.f. Brisbane completed a significant deal, with Sangamo Therapeutics committing to 87,695 s.f. at 7000 Marina Boulevard. Although this is an office building, Sangamo plans to convert the first floor into a lab space. Finally, Redwood City remained active, as Guardant Health agreed to 26,067 s.f. at 123 Saginaw Drive and 24,448 s.f. at 220 Saginaw Drive.

Approximately 2.5 million s.f. of life science space is currently under construction, with the prominent South San Francisco market leading the way. Looking into 2018, Genesis North Tower will deliver 400,000 s.f. by the third quarter, while HCP's The Cove at Oyster Point Boulevard will provide a third phase of 335,670 s.f. in two buildings to its project during the third quarter. Alexandria is currently constructing a 294,000 s.f. project at 213 East Grand (fully leased to Merck) and commenced construction in the fourth quarter on a 214,000 s.f. building at 279 East Grand. BioMed Realty's will deliver 510,000 s.f. in early 2019. In addition, Genzon's Burlingame Phase 1 Gateway of Pacific Point project could potentially add 767,000 s.f. of future inventory in 2019, but it remains unclear

whether the development will be leased solely for office use. Vacancy rates fell slightly to 3.69%, with asking rental rates ranging between \$3.50 and \$5.25/s.f., NNN.

Santa Clara County

Santa Clara County hosted the largest transaction in the Bay Area this quarter, as Roche is set to occupy 310,671 s.f. at 2801-2881 Scott Boulevard in Santa Clara. No major development plans are expected for life science use, however existing and future “flex” space could accommodate life science tenants. The county’s vacancy rate increased 47 basis points to 2.70%. Asking rates continue to fall between \$1.95 and \$7.50/s.f., NNN.

Alameda County

Despite minimal activity last quarter, Alameda County experienced a very active fourth quarter with 193,623 s.f. of gross absorption and 167,590 s.f. of positive net absorption. Neuralink, led by Elon Musk, committed to 48,240 s.f. at 7400 Paseo Padre in Fremont, while Clovis Oncology acquired 32,000 s.f. of office space at 1330 Broadway in Oakland. Neurotechnology company Koniku, followed up with 15,025 s.f. at 740 Heinz Street in Berkeley, and Memphis Meats subleased 17,500 s.f. of space at 804 Heinz Avenue. In addition, Siemens renewed their 75,000 s.f. lease at 725 Potter Street in Berkeley, after previously indicating that they may relocate or downsize. The county lowered its vacancy rate to 3.88%, but with shell completion of Wareham Development’s 265,000 s.f. EmeryStation West in the second quarter of 2018, some vacancy relief is expected. Asking rental rates continue to hold between \$1.75 and \$4.75/s.f., NNN.

Contra Costa County

Contra Costa County was inactive this quarter, with vacancy rates remaining at 10.87%. Tenant demand remains limited, even with rental rates ranging between \$1.25 and \$2.25/s.f., NNN in this region.

Q4 Venture Capital Financing

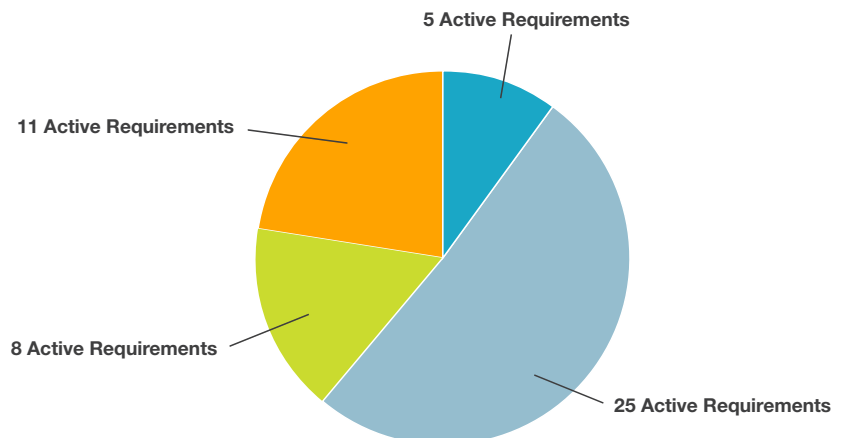
Series Type	\$ Funded
Seed Stage	\$18,130,000
Series A	\$8,880,000
Series B	\$1,509,490,000
Series C	\$340,000,000
Series D	\$67,560,000
Series E	\$0
Series F	\$0
Series G	\$0
Mezzanine	\$0
Undisclosed	\$80,200,000
Acquisition	\$719,500,000
Debt / Equity Financing	\$0
IPO	\$184,250,000
PIPE	\$0
Research Grant	\$0
Corporate Partnership	\$0
Total	\$2,928,010,000

Month Funded	# of Companies
October	9
November	10
December	14
Total	33

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
4,535,000 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

Phoenix
602.513.5200

Contact

Mark Read
Executive VP, Brokerage
Northern CA / NV
415.229.8888
mread@kiddermathews.com

Designated Broker
Mark Read | LIC #00572743

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.