

**San Francisco Bay Area**



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The information in this report was composed by Kidder Mathews Market Research.

**INDUSTRY NEWS**

diaDexus, Inc., a diagnostics company focused on the development and commercialization of their patented in vitro diagnostic products for unmet cardiovascular disease needs, has now achieved five consecutive quarters of positive revenue growth. Total revenues for the quarter ending September 2011 were \$4.4 million, a 38% increase over total revenues of \$3.2 million for the third quarter of 2010. The total net cash used in operating expenses for the third quarter of 2011 was \$1.7 million against \$2.1 million for the same period the year prior. As of September 30, 2011, diaDexus had capital, cash equivalents and investments of approximately \$19.8 million, a marginal increase over \$16.8 million in June 2011. This includes \$5.0 million in borrowings through a secured loan made to diaDexus by Comerica Bank in September 2011.

Sofinnova Ventures announced that it has raised a \$440 million life sciences-focused fund. Sofinnova's eighth fund is aimed at late-stage companies, including those derived from drug development programs acquired by the Menlo Park-based corporation Sofinnova. Sofinnova general partner Mike Powell said the capital is destined for life sciences companies only.

Medicis Pharmaceutical Corporation and Solta Medical have announced they have closed their previously announced Stock Purchase Agreement. Solta will acquire all of the outstanding shares of Medicis Technologies Corporation. Solta has already made the two initial payments of \$15 million and \$20 million. Over the next seven years, Solta will also make payments based upon the achievement of specified year-to-year increases in the worldwide commercial performance of the LIPOSONIX technologies.

Gilead Sciences took another step towards executing its long-term growth strategy with the \$11 billion purchase of Pharmasset Inc. The company announced it will pay \$137 per share, in cash, for Pharmasset, a drug developer out of Princeton, NJ with no current products on the market. Pharmasset stock that has traded as low as \$20.49 over the past year. However, Pharmasset does have three potential hepatitis C treatments in clinical testing.

**REAL ESTATE AND FACILITIES**

Zyomyx Inc. has recently leased out 22,846 s.f. of research and development space in Fremont, CA. An innovator and leader in the development and commercialization of proprietary protein analysis platforms, Zyomyx is expanding and entering development agreements primarily aimed at providing its clients with marketable products and technologies. The infrastructure at Zyomyx includes state-of-the-art R&D facilities, a sophisticated analytical location and a fully operational biochip manufacturing line.

In mid August Gilead Sciences leased just over 50,000 s.f. of space in Fremont, CA. Since 1987, Gilead Sciences has been working to research and develop medications to further the care of patients suffering from life-threatening diseases in areas of untouched medical need. Over the past two decades, Gilead has become a leading biopharmaceutical company with a growing pipeline of investigational drugs and approximately 4,200 employees in offices across four continents.

Intrexon Corporation leased 19,395 s.f. of research and development space in San Carlos, CA, furthering its mission to expand and redefine the product development cycle. Looking to further the development within the synthetic DNA field of study, Intrexon has made a push to acquire more space within the Peninsula area.

Gilead Sciences Inc., broke ground in late October on a 192,000 s.f. research lab building reportedly set to cost the company over \$140 million. The structure is part of the multi-year project in Foster City Gilead unveiled in 2008. Ultimately, the campus will have 16 buildings with over 1.2 million s.f. including up to 755,000 s.f. of office space and at least 445,000 s.f. of labs. Today, the company's 17 buildings total 629,154 s.f. Gilead has 4,500 employees and approximately half of these are in Foster City



**INDUSTRY NEWS**

Two Washington State biotech companies received nearly \$23 million in financing in September. RF Surgical Systems, a Bellevue-based company, raised \$12 million. The company is working to embed radio frequency tags in surgical sponges, so hospitals and doctors can track whether the common tools are left behind in a patient. Investors in the round were Split Rock Partners, Menlo Ventures and Stanford University. Theraclone Sciences, an antibody drug discovery company, raised \$10.6 million in an extension of its Series B financing that started in March of 2007 and now totals \$41 million. Previous investors Canaan Partners, Arch Venture Partners, MPM Capital, Healthcare Ventures, Alexandria Real Estate Equities, Amgen Ventures and Zenyaku Kogyo participated in the Series B extension.

Seattle Genetics Inc. (Nasdaq: SGEN) significantly exceeded Wall Street forecasts for its third quarter financial results due to a better than anticipated introduction of ADCETRIS. On August 19, the FDA approved the company's novel treatment of Hodgkin's lymphoma and systemic anaplastic large cell lymphoma. Seattle Genetics priced ADCETRIS at \$13,500 per dose, or approximately \$108,000 per patient treatment, and executed an "effective launch". Partial quarter net sales of the drug totaled \$10 million, well in excess of the initial \$1.9 million Wall Street estimate. Overall, the firm reported third quarter EPS of (\$0.35), \$0.11 better than the consensus analyst estimate of (\$0.46) and revenue came in at \$20 million versus the estimate of \$13.57 million.

Lincoln Park Capital Fund has reached an agreement with Marina Biotech (Nasdaq: MRNA), the Bothell-based developer of RNA interference drugs, for a further investment of as much as \$15 million of equity capital over the next 30 months. Marina stated it will control the timing and amount of shares sold to Lincoln Park, which will be based on the market prices at the time. Marina has agreed to sell a maximum of 17.9 million new shares to the firm though Lincoln Park has no right to acquire Marina. The new line of cash will give Marina some additional time as its cash has been running low during a time period when RNA interference companies have fallen out of favor with investors. The company did receive a "going concern" opinion from KPMG on its 2010 financial statements. At the end of third quarter, Marina had only \$2.2 million in cash on its balance sheet and posted a net loss of \$4.4 million for the quarter. In early November, Marina shares were trading around \$0.13 a share.

**REAL ESTATE AND FACILITIES**

Amnis Corporation and Pacific Biomarkers Inc. are leasing a total of 43,200 s.f. of office and lab space in Martin Selig Real Estate's 645 Elliott Building. Martin Selig stated that Amnis is moving from a building in the Denny Regrade into approximately 22,000 s.f. Amnis develops and makes imaging instruments for life science research. Pacific Biomarkers provides lab and research services to diagnostic and pharmaceutical manufacturers and is moving from an Uptown building into about 21,200 s.f. Both companies are moving into larger spaces than they previously occupied.

Alexandria Real Estate Equities' renovation of the Gates Foundation's former headquarters, at 1551 Eastlake Avenue E, into office and lab space is scheduled to be completed in December. The Puget Sound Blood Center has already leased 45,000 s.f. of the building and is planning to move in shortly after the work is done. Alexandria has also leased space to Adaptive TCR and the WBBA, leaving less than 50,000 s.f. vacant. Alexandria acquired the 100,000 s.f. building, built in 1961, for \$29,000,000 (\$290/SF) in December of 2004. 1551 Eastlake is located in the South Lake Union submarket near the Fred Hutchinson Cancer Research Center, Bristol-Myers Squibb, Gilead, The Accelerator and Dendreon.

Marina Biotech negotiated out of a lease obligation on one its two corporate buildings in Bothell that had been nearly empty the last three years. The 51,000 s.f. flex building, located at 3450 Monte Villa Parkway, has approximately 20,400 s.f. of office space. Previously Marina (formerly Natestch Pharmaceutical) manufactured nasal spray compounds, that it no longer makes, in the building. According to regulatory filings, Marina paid 7.8 million shares of newly issued stock to terminate the lease.

In December of 2010, the Fred Hutchinson Cancer Research Center paid \$36 million to acquire the 1100 Eastlake Ave E building. The 177,000 s.f. building is adjacent to the Hutchinson Center campus in the South Lake Union submarket. Some of the Hutchinson functions, moving into the building in mid-2012, will be leaving Alexandria Real Estate Equities' 1616 Eastlake building. The result will create an additional supply of product to satisfy the growing demand for office and research space along the Eastlake corridor.

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