

MARKET TRENDS | **LIFE SCIENCE**

BAY AREA

2ND QUARTER
2019

▲ ABSORPTION | ▼ VACANCY | ▲ RENTAL RATE

The life science market remains a strong driver in Bay Area real estate and a major contributor to the region's economy. Demand for life science space continues to outpace existing supply in the area, with over 3.8 million s.f. of tenant requirements currently being tracked by Kidder Mathews. In the second quarter, the Bay Area reported nearly 340,000 s.f. of gross absorption and a gain of 63,000 s.f. of positive net absorption. Approximately 75% of activity occurred in San Mateo County, with the bulk of activity focused in South San Francisco. Market-wide vacancy fell slightly to 3.35%, compared to 3.54% in 1Q19. Although leasing velocity was well below recent levels, this is an anomaly given the large number of active requirements in the market. Venture capital funding reached \$1.88 billion this quarter, down from \$7.38 billion in Q1.

SAN FRANCISCO COUNTY

Without a supply of existing lab space in San Francisco, prospective tenants are forced to seek facilities in nearby San Mateo and Alameda Counties to accommodate their growing need for space.

SAN MATEO COUNTY

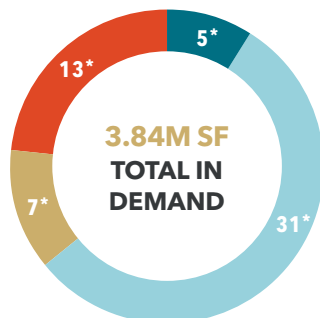
Consistent with prior quarters, San Mateo County accounted for the highest amount of leasing activity, ending 2Q19 with 254,158 s.f. of gross absorption and 98,440 s.f. of positive net absorption. South San Francisco finished with 149,718 s.f. of gross absorption and added 68,964 s.f. of

positive net absorption. Notably, Mispro Biotechnology leased close to 32,000 s.f. at 1 Corporate Drive, while genetic testing company 23andMe agreed to 31,244 s.f. at 349 Oyster Point Boulevard. Alexandria Real Estate's East Grand campus saw significant activity, with nearly 40,000 s.f. leased at 279 E. Grand Avenue. DiCE Molecules agreed to approximately 15,000 s.f., while Mammoth Biosciences leased close to 11,000 s.f. on the 4th floor. Further down the Peninsula, Redwood City posted 66,097 s.f. of gross absorption and 37,500 s.f. of positive net absorption. Biopharmaceutical company Ascendis Pharma completed a 37,500 s.f. lease at 1200 Bridge Parkway and GenapSys renewed close to 30,000 s.f. on the 3rd floor at 200 Cardinal Way.

Approximately 3.8 million s.f. is currently under construction, with projects concentrated mainly in South San Francisco. Close to 41% is pre-leased in this market, with substantial leasing

DEMAND FOR LIFE SCIENCE SPACE 2Q 2019

- 0 - 9,999 SF
- 10,000 - 49,999 SF
- 50,000 - 99,999 SF
- 100,000 - 800,000 SF



*Number of Active Requirements

2Q 2019 MARKET HIGHLIGHTS

- ABSORPTION** nearly 340,000 s.f. gross absorption and a gain of 63,000 s.f. positive net absorption
- VACANCY** fell slightly to 3.35%, compared to 3.54% in Q1
- VENTURE CAPITAL** funding reached \$1.88B, down from \$7.38B Q1

activity under way on the balance. Alexandria Real Estate's 213 E. Grand Avenue project in South San Francisco delivered this quarter. This 294,000 Class-A life science building is fully leased to Merck & Co. HCP's The Cove at Oyster Point campus in South San Francisco is nearing completion of the final two phases of about 500,000 s.f., although all three buildings have been pre-leased to Denali Therapeutics, Alector and Global Blood Therapeutics. In addition, the first phase of Kilroy Oyster Point in South San Francisco commenced construction in 2Q 2019 and will deliver 636,000 s.f. of Class-A lab space in Q3/Q4 2020 in three buildings. BioMed Realty has commenced site work on phases 2-3 of their Gateway of Pacific project following the lease-up of the 515,000 s.f. initial phase to AbbVie. Continuing down the Peninsula, Alexandria's District for Science & Technology, a 556,000 s.f. campus in San Carlos, is expected to finish late 2020.

Vacancy rates this quarter fell 74 basis points to 2.80%, with average asking rates holding between \$3.50/s.f. NNN and \$5.75/s.f. NNN.

SANTA CLARA COUNTY

Santa Clara County had no leasing activity this quarter, but reported a loss of about 12,000 s.f. of net absorption. No development plans are in the pipeline in this region, limiting life science opportunities. Vacancy in this region increased minimally to 3.20%, up 10 basis points from the previous quarter. Asking rates fall between \$1.95/s.f. NNN and \$5.00/s.f. NNN.

ALAMEDA COUNTY

Alameda County had an active quarter, reporting 82,355 s.f. of gross absorption, but negative 23,146 s.f. of net absorption. The city of Alameda completed 76,455 s.f. of leasing activity, beginning with oncology-focused company Exelixis agreeing to 37,544 s.f. at 1801 Harbor Bay Parkway. This increases their footprint to around 132,000 s.f. in this city. Biotech company AgeX Therapeutics completed a 23,911 s.f. sublease from Insite Vision at 965 Atlantic Avenue in Alameda. Additionally, Ology Bioservices agreed to 15,000 s.f. at 2061 Challenger Drive, representing the first life science transaction for the new ownership at Marina Village. Plans are to convert between 200,000-300,000 s.f. of the business park into life science space. Vacancy rates rose slightly to 4.50%, compared to 4.11% from 1Q19. Asking rates stand between \$1.75/s.f. NNN and \$5.15/s.f. NNN.

CONTRA COSTA COUNTY

Consistent with prior quarters, leasing activity remained inactive in Contra Costa County. Vacancy rates remain at 8.52%, with asking rates between \$1.25/s.f. NNN and \$2.25/s.f. NNN.

INVESTMENT SALES

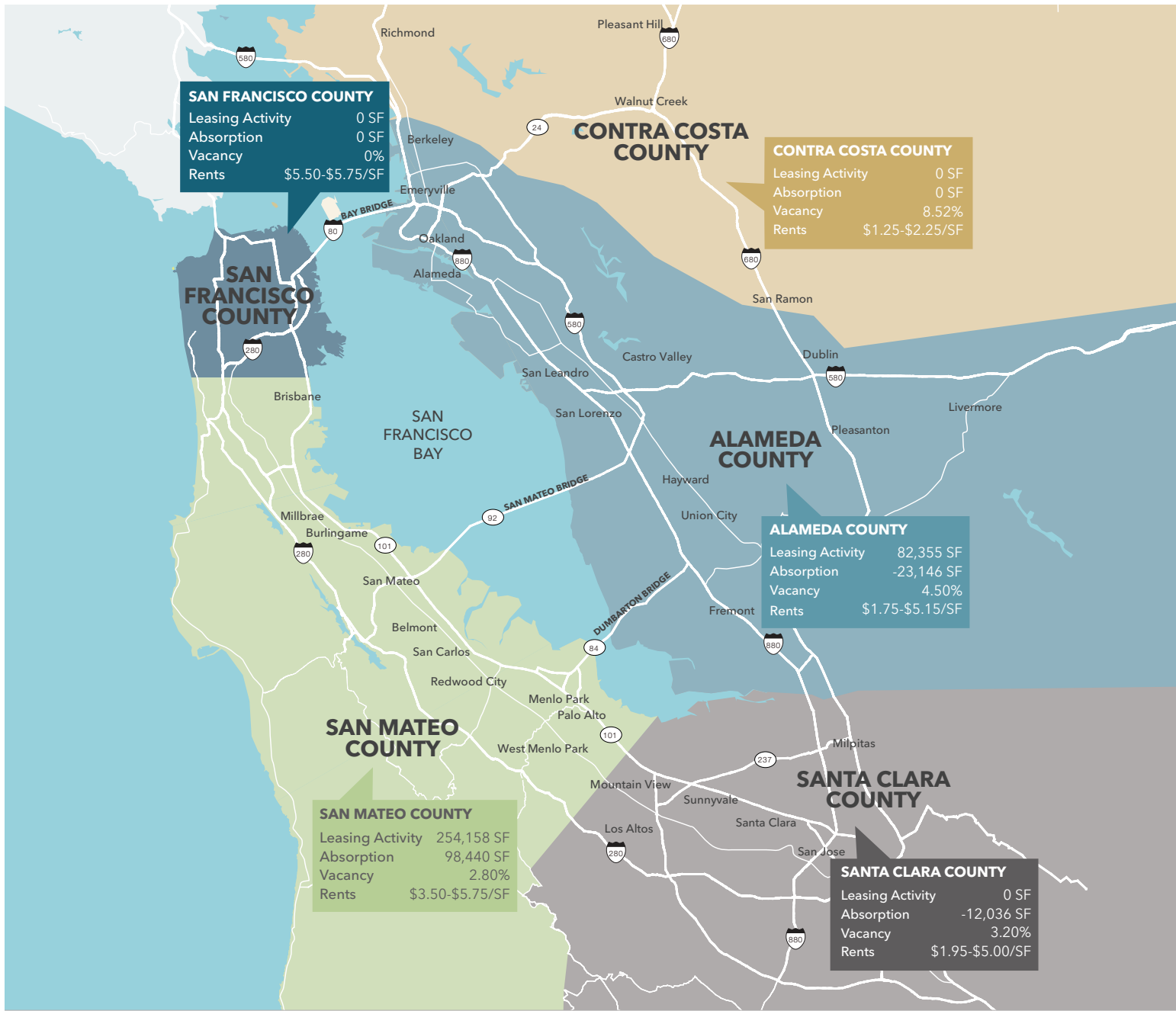
A joint venture between DRA Advisors LLC and Local Capital Group purchased the 27-property Marina Village complex in Alameda for \$267 million, or \$263/s.f. This office/flex portfolio was close to 80% occupied at the time of the sale. Biotech company Nanosyn acquired a 35,125 s.f. GMP pilot plant at 30831 Huntwood Avenue in Hayward for \$12 million, or \$341/s.f. This purchase represents an expansion for Nanosyn into the East Bay, as it currently occupies space in Silicon Valley.

Source: Real Capital Analytics, CoStar

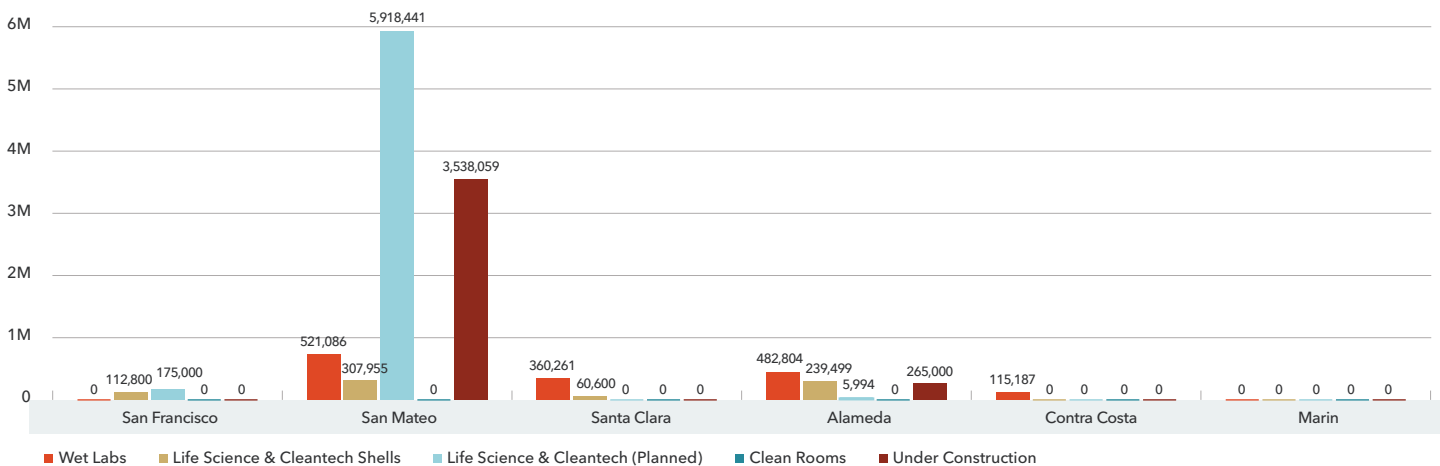
2Q 2019 VENTURE CAPITAL FINANCING

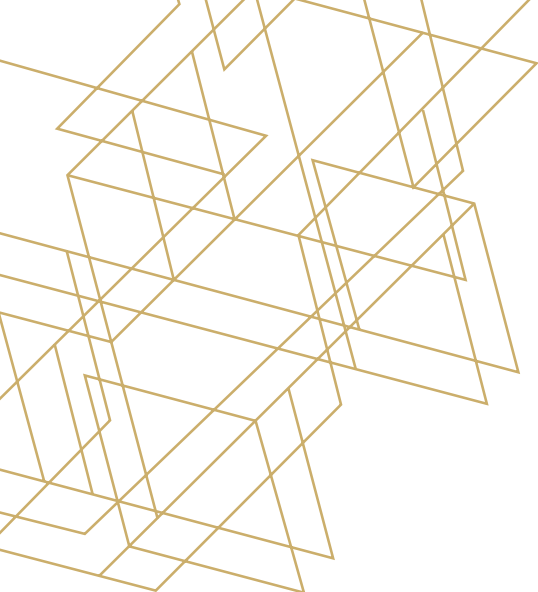
Series Type	\$ Funded
Seed Stage	\$15,140,000
Series A	\$72,000,000
Series B	\$165,900,000
Series C	\$177,000,000
Series D	\$26,330,000
Series E	\$65,000,000
Series F	\$0
Series G	\$65,130,000
Mezzanine	\$0
Undisclosed	\$0
Acquisition	\$179,670,000
Debt / Equity Financing	\$0
IPO	\$1,094,790,000
PIPE	\$0
Private/Share Placement	\$22,300,000
Research Grant	\$2,770,000
Corporate Partnership	\$0
Total	\$1,886,030,000

Month Funded	# of Companies
April	21
May	11
June	23
Total	55



AVAILABILITY BY COUNTY





Notable Lease Transactions

ASCENDIS PHARMA 1200 Bridge Pkwy, Redwood City | 37,500 s.f.

EXELIXIS 1801 Harbor Bay Pkwy, Alameda | 37,544 s.f.

MISPRO BIOTECHNOLOGY 1 Corporate Dr, S San Francisco | 31,917 s.f.

23ANDME 349 Oyster Point Blvd, South San Francisco | 31,244 s.f.

GENAPSYS INC. 200 Cardinal Way, Redwood City | 28,597 s.f. (renewal)

AGEX THERAPEUTICS 965 Atlantic Ave, Alameda | 23,911 s.f.

DICE MOLECULES 279 E Grand Ave, South San Francisco | 15,000 s.f.

OLOGY BIOSERVICES 2061 Challenger Dr, Alameda | 15,000 s.f.

SEATTLE GENOMICS 701 Gateway Blvd, South San Francisco | 14,000 s.f. (office space)



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 800 real estate professionals and staff in 22 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

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

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COMMERCIAL BROKERAGE

20M	ANNUAL SALES SF	400+	NO. OF BROKERS
\$9B	ANNUAL TRANSACTION VOLUME	40M	ANNUAL LEASING SF

VALUATION ADVISORY

1,600+	APPRAISALS ANNUALLY	36/23	TOTAL NO. APPRAISERS/MAI'S
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PROPERTY MANAGEMENT

55M+	MANAGEMENT PORTFOLIO SF
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