**MARKET TRENDS | BAY AREA**

LIFE SCIENCE

**4TH QUARTER
2020**◀ **ABSORPTION** | ▼ **VACANCY** | ▲ **RENTAL RATE**

Market Forecast

The Bay Area life science real estate market continues to remain a dominant force in Northern California despite the ongoing impact of the COVID-19 pandemic. 4Q 2020 gross absorption totaled 961,306 s.f. with 671,439 s.f. of positive net absorption. This brings 2020 total gross absorption to 2.94 million s.f. and positive net absorption to 1.73 million s.f. Although not as high as 2019 totals of gross absorption (4.04 million s.f.) and net absorption (positive 2.17 million s.f.), the life science market performed exceptionally well given the economic impacts of COVID-19.

Just over 3.49 million s.f. of life science product is currently under construction, concentrated in San Mateo and Alameda Counties. Vacancy rates fell slightly to 3.46%, down from last quarter's rate of 3.53%. Close to 280,000 s.f. of new life science product came on the market in 4Q, focused mainly in San Mateo County. Life science demand remains strong in the Bay Area, with over 3.46 million s.f. of tenant requirements being tracked by Kidder Mathews. Venture capital funding had an incredible quarter, closing 4Q with a total of \$19.4 billion and bringing the 2020 total to \$44.4 billion; nearly double the levels of the past several years.

SAN FRANCISCO COUNTY

San Francisco County had an uptick in leasing activity in the fourth quarter, reporting 166,896 s.f. of gross absorption. Vir Biotechnology agreed to sublease 133,896 s.f. from Dropbox at The Exchange, located in the Mission Bay submarket at 1800 Owens St. Additionally,

Vitalant leased 33,000 s.f. of life science space at 360 Spear St. However, life science product continues to remain scarce in San Francisco, with Juul's former lab space at 1155 Bryant Street, a 28,137 s.f. building, being the only built-out availability currently on the market. The only new potential projects currently on the horizon are Alexandria's 88 Bluxome development in Central SOMA and 1450 Owens St in Mission Bay, along with a 150,000 s.f. project at 300 Kansas that has received planning authorization for more flexible use definitions under the current PDR zoning. We do however anticipate more projects turning to life science use in the near future given current and projected future softness in the office/tech market.

SAN MATEO COUNTY

San Mateo County remains the dominant life science market in the Bay Area, ending 4Q with 350,368 s.f. of gross absorption and 172,335 s.f. of positive net absorption. In Brisbane,

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Annexon pre-leased 65,818 s.f. at Healthpeak's The Shores project at 1400 Sierra Point Pkwy. Within South San Francisco, Alexandria Real Estate Equities' 201 Haskins Way had strong activity this quarter, with Brightseed agreeing to 25,454 s.f. and Novome Bio committing to 25,000 s.f. Genesis North Tower welcomed Scorpion Therapeutics and Natera, leasing 19,872 s.f. on the 3rd floor and 11,000 s.f. on the 13th floor, respectively. Continuing down the Peninsula, in Menlo Park, Hexagon Bio leased 31,000 s.f. at 1490 O'Brien Dr, while Synthekine agreed to 25,000 s.f. of life science space at 1505 O'Brien Dr.

Vacancy rates declined to 4.06%, down from 4.25% in 3Q. Just over 165,000 s.f. of new availability came on the market in this region, particularly 80,000 s.f. of sublease space at 100 Cardinal Way in Redwood City. Asking rental rates stand between \$3.50 NNN and \$6.25 NNN.

SANTA CLARA COUNTY

Santa Clara County had a moderate fourth quarter, ending 2020 with 59,866 s.f. of gross absorption and 3,620 s.f. of positive net absorption. Life science incubator, BioCube, signed a 35,000 s.f. lease at 2680 Zanker Rd, within the newly branded

BioSquare conversion project in San Jose. Furthermore, Ascendis Pharma completed a 72,812 s.f. office lease at 1050 Page Mill Rd in Palo Alto.

Due to strong overall demand and a lack of available product, we anticipate additional life science development will be emerging in Santa Clara County from North San Jose up to Palo Alto.

Vacancy rates rose slightly to 3.37%, up from 3.32% in 3Q. Asking rental rates range between \$1.95 NNN and \$7.50 NNN.

ALAMEDA COUNTY

Alameda County led all Bay Area counties with the highest leasing activity in 4Q, reporting 384,176 s.f. of gross absorption and 328,588 s.f. of positive net absorption. Resilience, a new life science company, completed the largest deal of the quarter by subleasing 152,995 s.f. of biotech space at 800 Corporate Way in Fremont. Arcus Biosciences completed a 28,879 s.f. lease at 4010 Point Eden Way in Hayward, while Exelixis leased 25,749 s.f. at 1751 Harbor Bay Pkwy. in Alameda. Over in Emeryville, Agenus completed an 83,620 s.f. lease at 6455 Christie Ave,

while Ginkgo BioWorks also leased 32,038 s.f. at Wareham's 5858 Horton St.

Vacancy rates fell slightly to 3.32%, compared to 3.36% in 3Q. Asking rates stand between \$1.75 NNN and \$6.00 NNN.

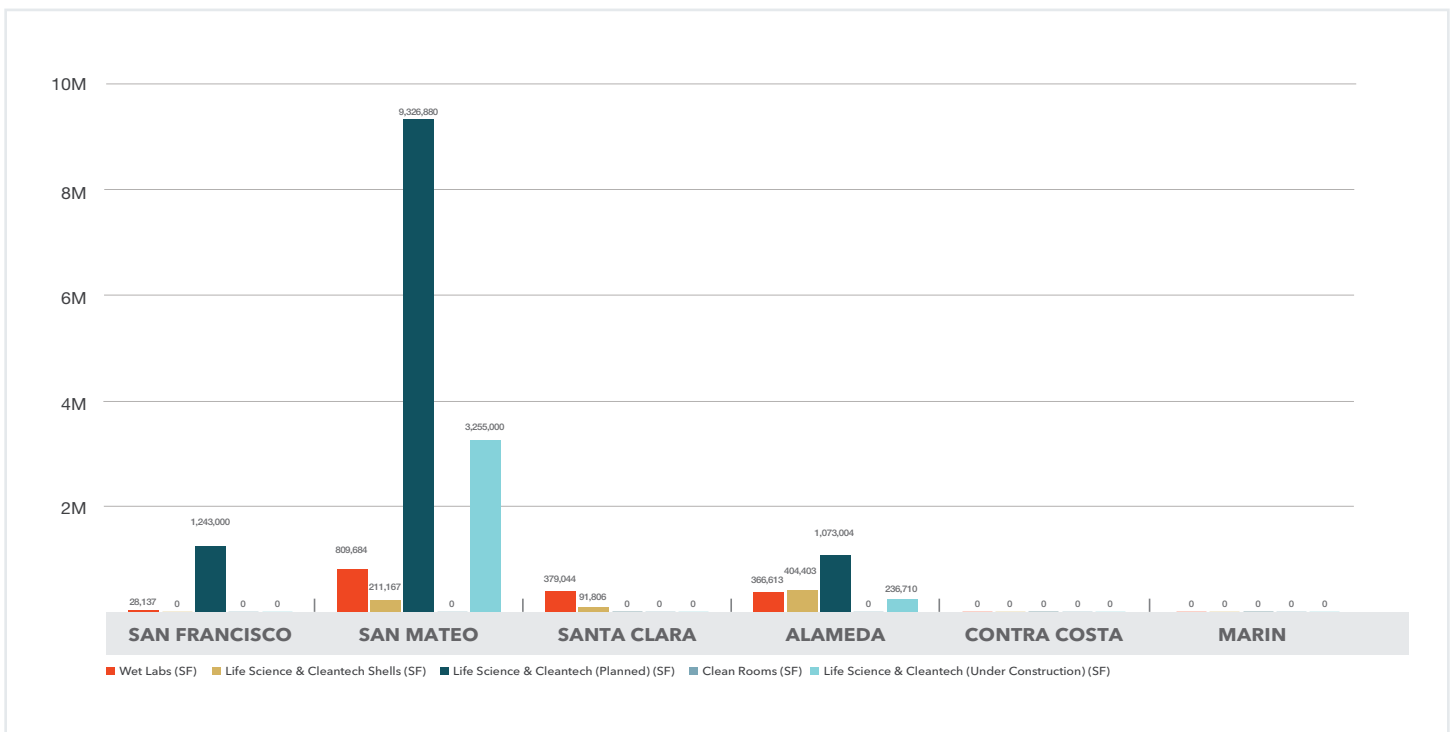
CONTRA COSTA COUNTY

Contra Costa County had no life science activity in the fourth quarter. With very minimal life science availabilities in the county and less drivers for company formation and growth, tenants often focus their search on the neighboring Alameda County.

CONSTRUCTION ACTIVITY

Approximately 3.5 million s.f. of prime life science product is currently under construction in the Bay Area, with projects concentrated in San Mateo and Alameda Counties. Kilroy Realty's Oyster Point campus in South San Francisco, currently in its first phase of development, will add 636,000 s.f. by 3Q/4Q 2021 in three buildings and is fully pre-leased to biotech tenant, Cytokinetics, and online payment company, Stripe. Additionally, BioMed Realty's Gateway of Pacific development is underway with its second

Area Review



and third phases. Phase II will deliver 430,000 s.f. by late 2021 with Amgen committed to 241,000 s.f. as its anchor tenant. Phase III contains 360,000 s.f. and will also deliver in late 2021. Further down on the Peninsula, Alexandria's District for Science & Technology in San Carlos, a 2-building campus, is scheduled to deliver 556,000 s.f. by mid-2021. The project has secured a number of tenants including Atreca, Allakos, ChemoCentryx, and Explora BioLabs. In the East Bay, Wareham Development's 999 Anthony Street in Berkeley is scheduled to bring in 16,000 s.f. of new lab and office space by early 1Q 2021. Additionally, Exelixis is expanding their headquarters in Alameda, adding 220,000 s.f. of new life science space at 1951 Harbor Bay Pkwy.

INVESTMENT SALES

The fourth quarter experienced several investment sales in the Bay Area. Beginning in South San Francisco, Ventas purchased three life science properties for \$1.02 billion, or \$1,297/s.f. from Phase 3 Real Estate Partners. The properties included both Genesis Towers (1 & 2 Tower Place) and 4000 Shoreline Court. Additionally, the land on 101 Gull Dr was acquired for \$10.8 million and is currently receiving entitlements for a 155,000 s.f. stand-alone life science development. Further down in San Mateo County, Presidio Bay Ventures acquired 777 Industrial Road in San Carlos for \$36 million with plans to redevelop the property into a 123,000 s.f. life science building.

Within Santa Clara County, Alexandria Real Estate Equities purchased two buildings in the Stanford Research Park in Palo Alto for \$40 million, or \$527/s.f. from seller, Invesco. SAP Labs LLC occupies the entire 42,000 s.f. building at 3450 Hillview Ave, while Panasonic Corporation of North America occupies the 3460 Hillview Ave property for 34,000 s.f. In the East Bay, Hollis Business Center, consisting of 6401 Hollis St and 1480 64th St in Emeryville traded hands for \$129.5 million, or \$568/s.f. The buyer, Beacon Capital Partners, plans to reposition the asset for life science companies.

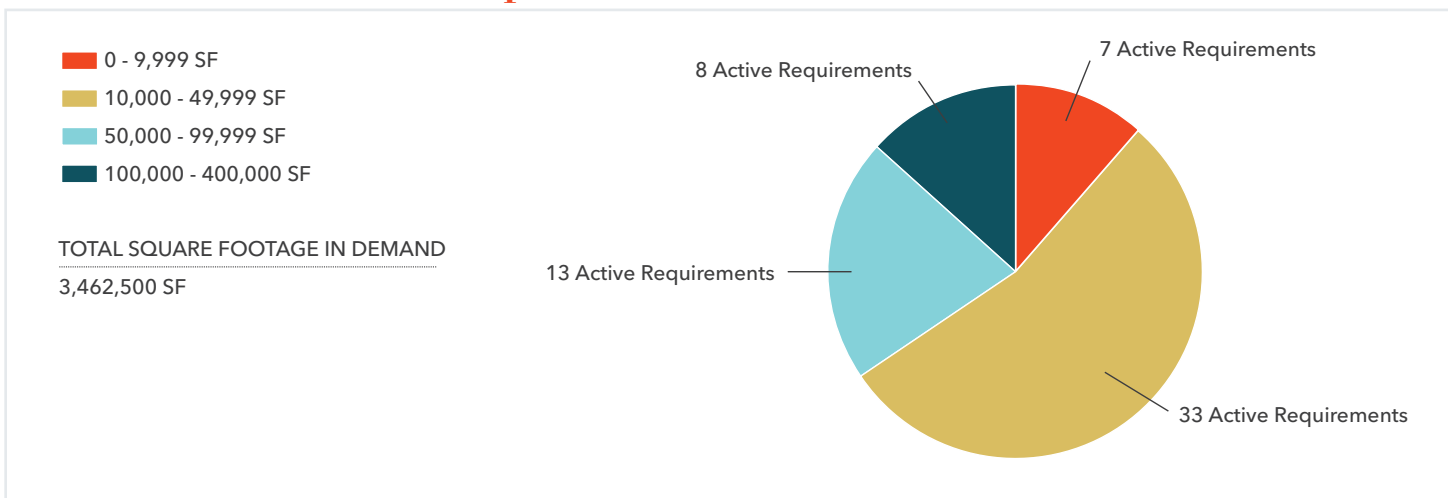
Sources: San Francisco Business Times and Silicon Valley Business Journal

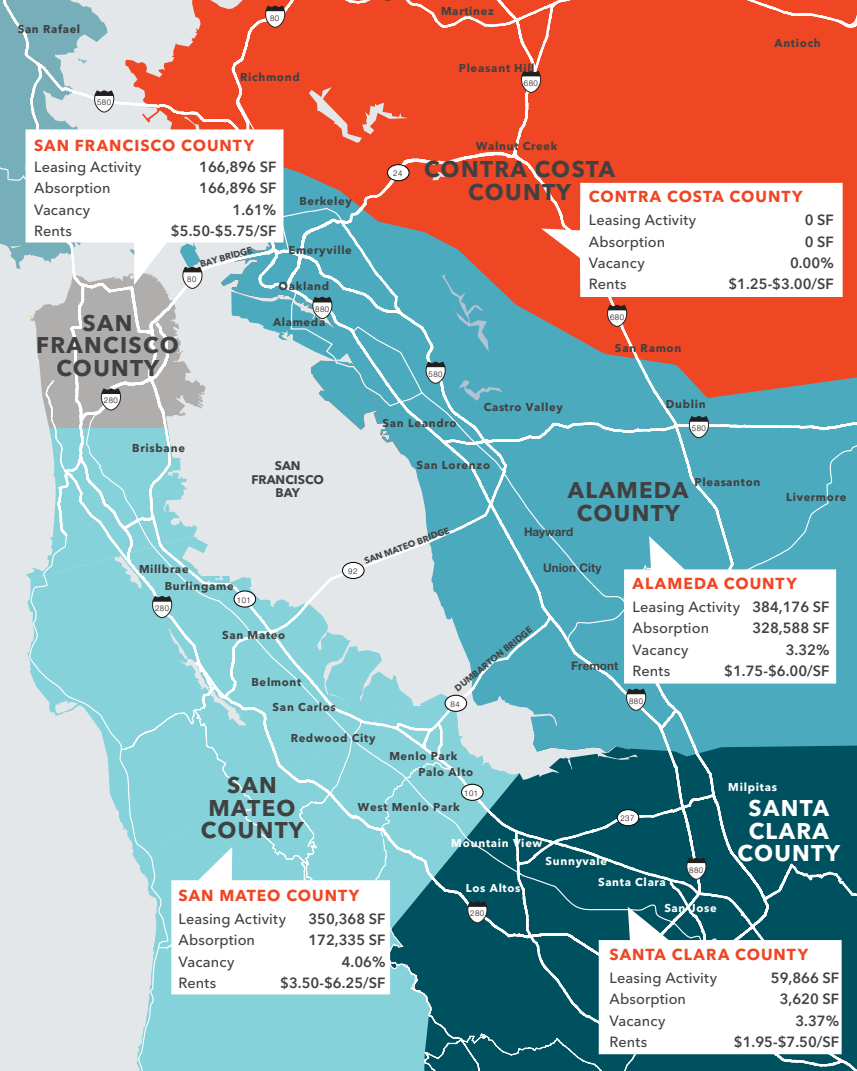
4Q Venture Capital Financing

Series Type	\$Funded
Seed Stage	\$37,300,000
Series A	\$328,110,000
Series B	\$204,440,000
Series C	\$354,200,000
Series D	\$120,000,000
Series E	\$220,520,000
Series F	\$23,250,000
Series G	\$0
Mezzanine	\$0
Series Undisclosed	\$0
Acquisition	\$15,873,000,000
Debt/Equity Financing	\$0
IPO	\$1,396,990,000
PIPE	\$884,500,000
Private/Share Placement	\$0
Research Grant	\$1,000,000
Corporate Partnership	\$0
Total	\$19,443,310,000

Month Funded	# of Companies
October	16
November	16
December	21
Total	53

Demand for Life Science Space





Notable Lease Transactions

RESILIENCE 800 Corporate Way, Fremont
152,995 s.f. (sublease)

VIR BIOTECHNOLOGY 1800 Owens St,
San Francisco | 133,896 s.f. (sublease)

AGENUS 6455 Christie Ave, Emeryville
83,620 s.f.

ANNEXON 1400 Sierra Point Pkwy, Brisbane
65,818 s.f.

BIOCUBE 2680 Zanker Rd, San Jose
35,000 s.f.

VITALANT 360 Spear St, San Francisco
33,000 s.f.

GINKGO BIOWORKS 5858 Horton St, Emeryville
32,038 s.f.

HEXAGON BIO 1490 O'Brien Dr, Menlo Park
31,000 s.f.

ARCUS BIOSCIENCES 4010 Point Eden Way,
Hayward | 28,879 s.f.

EXELIXIS 1751 Harbor Bay Pkwy, Alameda
25,749 s.f.



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 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

23M

ANNUAL SALES SF

470+

NO. OF BROKERS

\$8B

ANNUAL TRANSACTION VOLUME

42M

ANNUAL LEASING SF

VALUATION ADVISORY

1,800+

APPRAISALS ANNUALLY

39/20

TOTAL NO. APPRAISERS/MAI'S

PROPERTY MANAGEMENT

70M+

MANAGEMENT PORTFOLIO SF

\$12B+

IN ASSETS UNDER MANAGEMENT

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