**MARKET TRENDS | BAY AREA**

LIFE SCIENCE

**2ND QUARTER
2021**▲ **ABSORPTION** | ▼ **VACANCY** | ▲ **RENTAL RATE**

Market Forecast

The life science market remains strong and highly competitive in the Bay Area, with Q2 2021 gross absorption totaling 772,471 SF and positive net absorption of 673,854 SF. 2021 YTD figures stand at 2.32 million SF of gross absorption and 1.51 million SF of positive net absorption.

Alameda County led all Bay Area regions with 383,715 SF of gross absorption, followed closely behind by San Mateo County with 313,004 SF. New life science development remains active in the Bay Area, with just over 3.93 million SF under construction, focused in San Francisco, San Mateo, and Alameda Counties. In addition, an increasing number of new conversions of office and tech buildings to life science use are under way or planned. Vacancy rates fell to 2.81%, down from last quarter's rate of 3.76%. Biotech demand continues to be very active, with 4.45 million SF of tenant requirements currently being tracked by Kidder Mathews. Venture capital funding reached \$23.6 billion in Q2 2021, skewed by two acquisitions totaling \$18 billion.

SAN FRANCISCO COUNTY

San Francisco County reported 38,022 SF of gross absorption and 28,022 SF of positive net absorption in the second quarter of 2021. Cellular agriculture company Mission Barns agreed to 32,421 SF at 1155 Bryant St., while animal diagnostics company Moichor leased 5,601 SF at 555 De Haro St. Life science product continues to remain scarce in San Francisco, with only a 10,000 SF availability on the

market at 650 5th St. However, new projects currently on the horizon are Tishman's 290,000 SF Mission Rock Building B, Alexandria's 88 Bluxome development in Central SoMa and 1450 Owens Street in Mission Bay (190,000 SF), along with a 150,000 SF project at 300 Kansas that has received planning authorization for more flexible use definitions under the current PDR zoning. In addition, the recent acquisition of The Exchange at 1800 Owens in Mission Bay by KKR and Longfellow will provide additional lab space options as the DropBox lease is re-structured. Kidder Mathews anticipates 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

Life science activity continues to remain dominant in San Mateo County, with this area reporting 313,004 SF of gross absorption and 296,887 SF of positive net absorption. In South San Francisco, Smart Labs executed a 140,000 SF lease at BioMed Realty's Gateway of Pacific Phase II project, located at 750 Gateway Blvd. Further down the Peninsula, Sutro Biopharma completed two separate leases in San Carlos: a 16,117 SF renewal at 870 Industrial Rd. and a 13,500 SF lease at 888-894 Industrial Rd. Additionally, Adverum Biotechnologies



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leased 79,675 SF at 100 Cardinal Way in Redwood City.

New developments currently under construction include BioMed’s 360,000 SF Gateway of Pacific III in South San Francisco, Alexandria’s 208,880 SF development at 751 Gateway and Phase 3’s 570,000 SF Genesis Marina project at Sierra Point in Brisbane. All three projects are reporting robust pre-leasing activity well ahead of shell completion.

Vacancy rates fell to 3.07%, down from 4.52% in the prior quarter. Asking rental rates stand between \$3.50 NNN and \$7.50 NNN PSF/month.

SANTA CLARA COUNTY

Due to an ongoing lack of supply, Santa Clara County had moderate activity in Q2 2021, with 37,730 SF of gross absorption. Delphi leased 18,000 SF at 1810 Embarcadero Rd. in Palo Alto, while AngioSafe completed a 16,487 SF lease at 5215 Hellyer Ave. in San Jose. Due to strong overall demand and a lack of available product, Kidder Mathews anticipates that additional life science development will emerge in Santa Clara County from North San Jose up to Palo Alto. The BioSquare project in North San Jose is the first project in

an expected wave of conversions in Santa Clara County. This 465,000 SF repositioning of a former office campus is underway on a rolling basis.

Vacancy rates stand at 2.86%, down slightly from the prior quarter’s rate of 3.50%. Asking rental rates range between \$1.95 NNN and \$7.50 NNN PSF/month.

ALAMEDA COUNTY

Alameda County had a strong second quarter, reporting 383,715 SF of gross absorption and 311,215 SF of positive net absorption. Senti Bio leased 91,910 SF at 1430 Harbor Bay Parkway in Alameda, while Ardelyx renewed 72,500 SF at 34175 Ardenwood Blvd. in Fremont. Further, biodesign company Geltor agreed to 70,404 SF at 5400 Hollis St. in Emeryville, while DiaCarta leased 37,000 SF at 4385 Hopyard Rd. in Pleasanton.

Vacancy rates decreased to 3.09% this quarter, with asking rental rates ranging between \$3.75 NNN and \$6.50 NNN PSF/month

CONTRA COSTA COUNTY

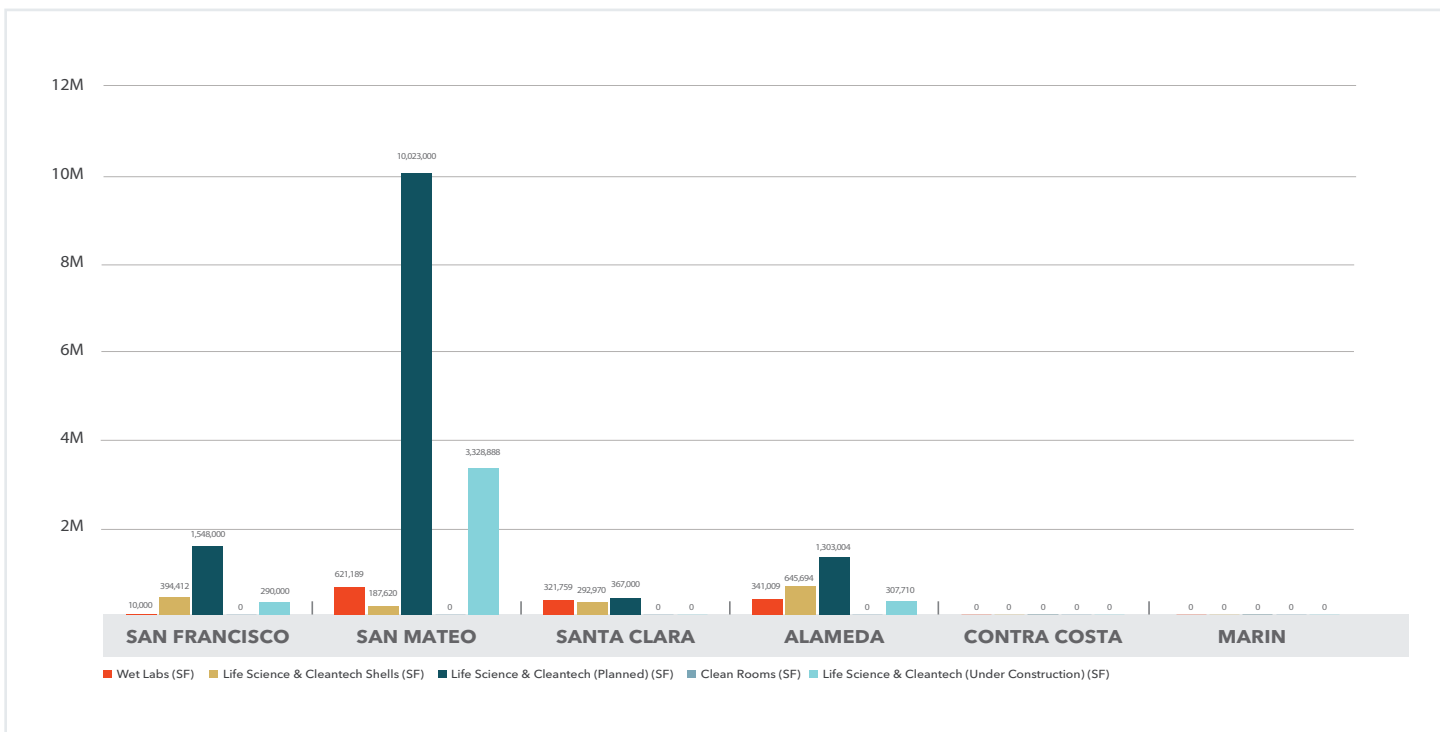
Contra Costa County had no life science activity in the second quarter. With very

minimal life science availabilities in the County and less drivers for company formation and growth, tenants often focus their search on neighboring Alameda County.

CONSTRUCTION ACTIVITY

Approximately 3.93 million SF of life science product is under construction in the Bay Area, with projects focused in San Francisco, San Mateo, and Alameda Counties. Tishman Speyer broke ground on their 290,000 SF life science building at the Mission Rock development in San Francisco, scheduled to deliver by early 2023. Kilroy Realty’s Oyster Point campus in South San Francisco, currently in its first phase of development, will add 636,000 SF by Q4 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 and third phases. Phase II is 100% pre-leased and will deliver 430,000 SF by late 2021 with Amgen committed to 241,000 SF as its anchor tenant. Phase III contains 360,000 SF 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

Area Review



SF by late 2021 and is fully leased to several tenants including Atreca, Allakos and ChemoCentryx. In the East Bay, SteelWave's theLab Berkeley campus is underway, set to deliver 87,000 SF of Class A lab space across three buildings in Berkeley.

INVESTMENT SALES

Several investment sales occurred in the second quarter in the Bay Area. Beginning in South San Francisco, Alexandria Real Estate completed a 70% partial interest transfer at 213 E Grand Ave. for \$301 million, or \$1,428/SF. Pharmaceutical company Merck currently occupies the entire 300,930 SF building. Within San Mateo County, 388 Vintage Park Dr. in Foster City sold for \$13 million, or \$1,298/SF. Buyers SteelWave Inc. and Helios plan to demolish the existing restaurant building and construct a 95,931 SF life science building. Continued demand for lab space on the Peninsula has fueled office space conversions to life science. Phase 3 Real Estate Partners acquired 2001 Junipero Serra Blvd. in Daly City for \$168.6 million, or \$440/SF, while Longfellow Real Estate Partners purchased 901 & 951 Mariners Island Blvd. in San Mateo for \$156 million, or \$628/SF.

Over in the East Bay, Kennedy Wilson Properties purchased the Fremont Research Center, a two-building portfolio located in Fremont for \$32.3 million, or \$279/SF. Moving up into Hayward, the Mt. Eden Research Park, a six-building life science and R&D campus, sold to GI Partners for \$155 million, or \$418/SF. Additionally, Invesco completed the acquisition of six life science properties in Alameda, located at 1410-1430 Harbor Bay Pky. and 1955-2115 N. Loop Rd. for \$101.3 million, or \$302/SF. Also in Alameda, Paceline Investors purchased 1420 Harbor Bay Pky. for \$31.8 million, or \$261/SF. Finally, Oxford Properties Group purchased Foundry31, a mixed-use property in the Berkeley/Emeryville corridor, for \$172.7 million. The buyer plans to convert this building into a life science property.

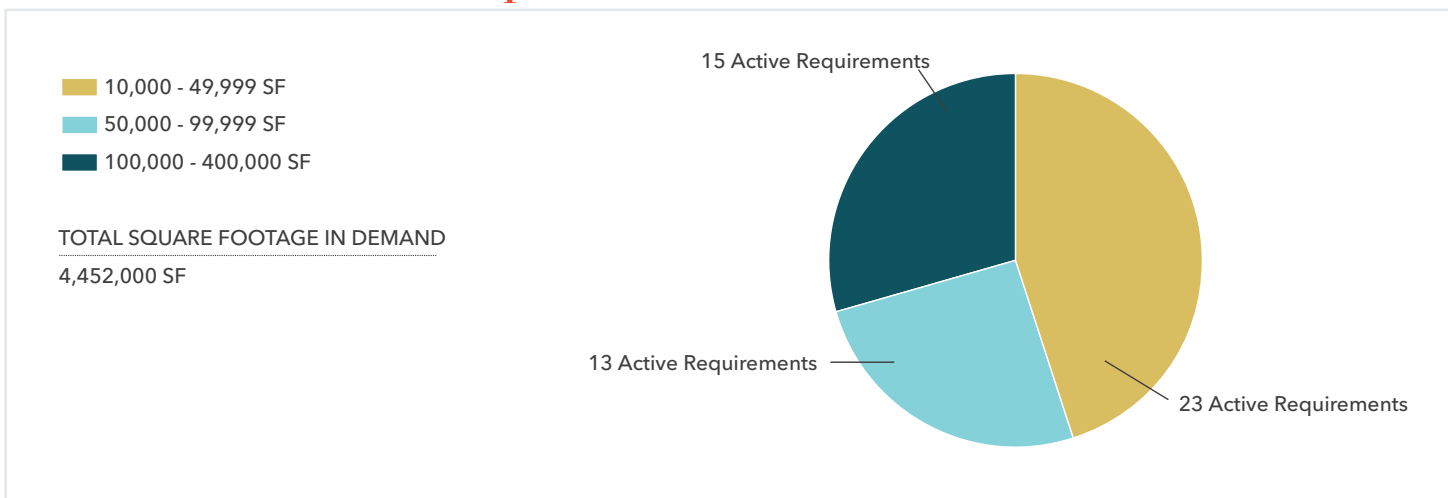
Sources: KM Research, CoStar

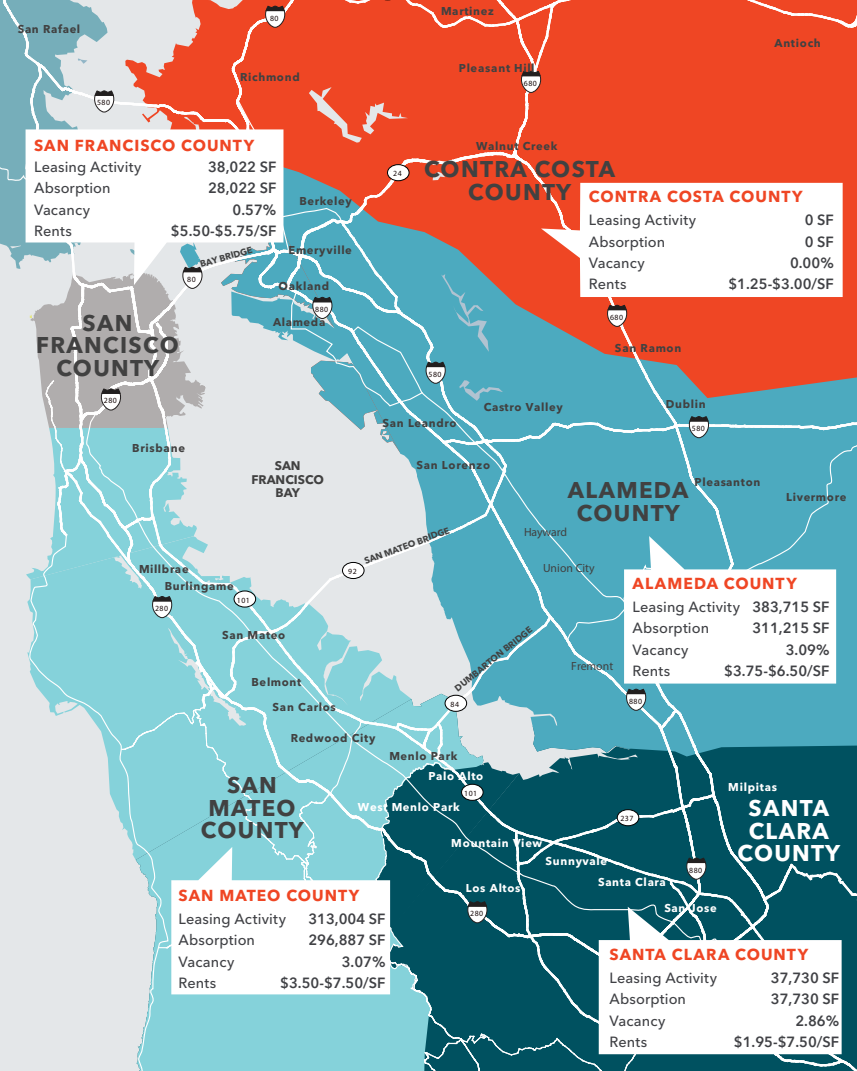
2Q Venture Capital Financing

Series Type	\$Funded
Seed Stage	\$51,470,000
Series A	\$704,220,000
Series B	\$568,050,000
Series C	\$921,150,000
Series D	\$111,500,000
Series E	\$50,000,000
Series F	\$0
Series G	\$100,000,000
Mezzanine	\$0
Series Undisclosed	\$0
Acquisition	\$18,834,200,000
Debt/Equity Financing	\$1,070,000
IPO	\$1,879,880,000
PIPE	\$330,000,000
Private/Share Placement	\$0
Research Grant	\$4,030,000
Corporate Partnership	\$0
Total	\$23,555,570,000

Month Funded	# of Companies
April	28
May	22
June	26
Total	76

Demand for Life Science Space





Notable Lease Transactions

SMART LABS 750 Gateway Blvd., South San Francisco | 140,000 SF

SENTI BIO 1430 Harbor Bay Pky., Alameda 91,910 SF

ADVERUM BIOTECHNOLOGIES 100 Cardinal Way, Redwood City | 79,675 SF

ARDELYX 34175 Ardenwood Blvd., Fremont 72,500 SF (Renewal)

GELTOR 5400 Hollis St., Emeryville | 70,404 SF

ALEXZA PHARMACEUTICALS 6550 Dumbarton Cir., Fremont | 62,523 SF

DIACARTA 4385 Hopyard Rd., Pleasanton 37,000 SF

MISSION BARNs 1155 Bryant St., San Francisco 32,421 SF

DELPHI 1810 Embarcadero Rd., Palo Alto 18,000 SF

ANGIOSAFE 5215 Hellyer Ave., San Jose 16,487 SF



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	460+	NO. OF BROKERS
\$8B	ANNUAL TRANSACTION VOLUME	42M	ANNUAL LEASING SF

VALUATION ADVISORY

1,800+	APPRAISALS ANNUALLY	40/19	TOTAL NO. APPRAISERS/MAI'S
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ASSET SERVICES

70M	MANAGEMENT PORTFOLIO SF	\$12B	IN ASSETS UNDER MANAGEMENT
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