**MARKET TRENDS | BAY AREA**

LIFE SCIENCE

**3RD QUARTER
2021**▲ **ABSORPTION** | ▼ **VACANCY** | ▲ **RENTAL RATE**

Market Forecast

The Life Science market's expansion accelerated in the Bay Area in Q3 2021 with gross absorption totaling 1.7 million SF and positive net absorption of 642,351 SF. The 2021 year-to-date figure is approximately 3.9 million SF of gross absorption and 1.5 million SF of positive net absorption.

In the third quarter San Mateo County led all Bay Area regions with 986,702 SF of gross absorption, followed closely behind by Alameda County with 519,451 SF. New life science development remains active in the Bay Area, with just under 3.2 million SF under construction, led by San Mateo County's 2.5 million SF. In addition, an increasing number of new conversions of office and tech buildings to life science use are under way or planned. The vacancy rate remained relatively flat at 2.8%. Biotech demand continues to be very active, with 4.6 million SF of tenant requirements currently being tracked by Kidder Mathews. Additionally, venture capital funding continues to soar with \$14.2 billion in Q3 2021.

SAN FRANCISCO COUNTY

San Francisco County reported no Life Sciences leasing activity in the third quarter. With only 10,000 SF available and occupancy at near capacity with vacancy at only 0.57%, tenants are finding more favorable availabilities in San Mateo, Alameda and Santa Clara counties. The county's base inventory will grow by 300,000 SF when Tishman completes the construction of Mission Rock, Building B in San Francisco.

SAN MATEO COUNTY

Life science activity continues to dominate in San Mateo County, reporting 986,702 SF of gross absorption and 393,529 SF of positive net absorption in 3Q 2021. Notable leasing activity in South San Francisco includes a 350,000 SF lease by Frenome at Phase 3 Properties Genesis Marina (under construction) and a 230,000 SF lease by Genentech at Alexandria Real Estate's 751 Gateway (under construction). Further south on the Peninsula, Altos Therapeutics executed a lease for 181,500 SF in PGIM's Redwood LIFE in Redwood City.

Two major Life Science projects were completed in the third quarter in San Mateo County. The Alexandria District for Science & Technology brought 556,000 SF to San Carlos and Phases 2 and 3 of the Shores at Sierra Point added 363,000 SF in Brisbane. Additionally, 13,173 SF of previously occupied Life Science real estate became available in the County in 3Q 2021.

Developments currently under construction include 755,764 SF at Kilroy's Oyster Point-Phase I project in South San Francisco and Phase 3 Properties' 570,000 SF Genesis Marina at 3000 & 3500 Marina Blvd. in Brisbane. Biomed Realty is building out Phases II and III of Gateway of Pacific in South San Francisco adding



The life science market remains strong and highly competitive in the Bay Area.

790,000 SF. Kilroy Oyster Point and Gateway of Pacific, Phase II are reporting robust pre-leasing activity well ahead of shell completion.

The vacancy rates fell 50 basis points to 2.6%, from 3.1% in the last quarter. Asking rental rates stand between \$3.50 NNN and \$7.50 NNN PSF/month.

SANTA CLARA COUNTY

Santa Clara County saw an increase in leasing activity in Q3 2021, with 144,476 SF of gross absorption, driven almost entirely by the 140,000 SF, two building lease in the Alexandria Stanford Life Science District of Palo Alto by Arastradero. An additional 95,748 SF became available for lease or sublease in 3Q 2021. Currently there are no new life science projects under construction in the County. Although traditional ground-up development is not expected in the near term, conversion opportunities will continue to gain momentum. 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 jumped 80 basis points over 2Q 2021 to 3.70%. Asking rental rates range between \$1.95 NNN and \$7.50 NNN PSF/month.

ALAMEDA COUNTY

Alameda County had a strong third quarter, reporting 519,451 SF of gross absorption and 204,570 SF of positive net absorption. Top leases include the 163,193 SF lease by Sana Biotechnology at 5567 Cushing Parkway in Newark, Arcus Bio's five building, 149,364 SF lease renewal of the Healthpeak Properties on Point Eden in Hayward, and the 100,000 SF lease of 6600 Dumbarton Circle in Fremont by Personalis.

There is currently 380,636 SF under construction, the largest of which is 220,710 SF by Stockbridge Capital Group, slated for completion in 3Q 2022. The project is 100% preleased as the expansion of the Exelixis headquarters.

Vacancy rates grew approximately 20 basis points in 3Q 2021 to 3.4%, with asking rental rates ranging between \$3.75 NNN and \$6.50 NNN PSF/month.

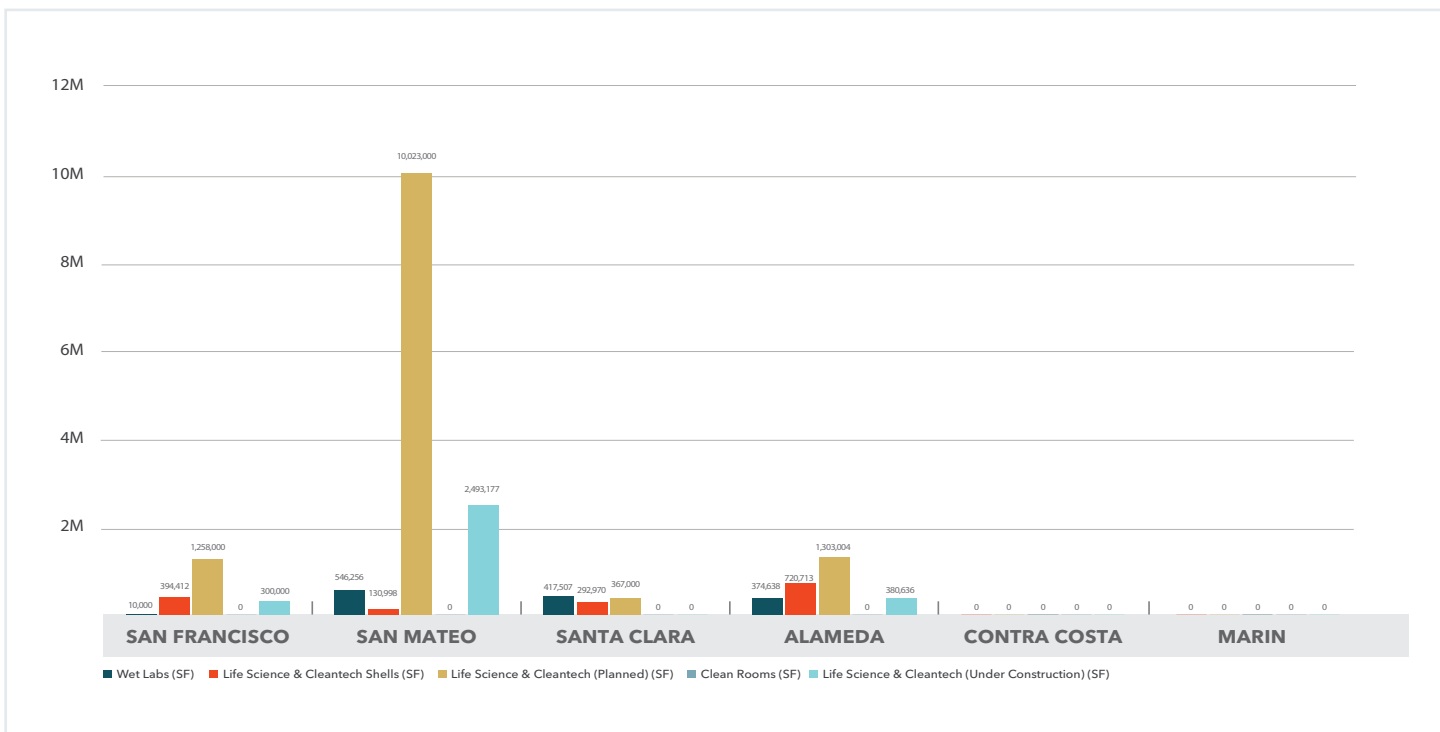
CONTRA COSTA COUNTY

Contra Costa County had no life science activity in the third 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 3.3 million SF of life science product is under construction in the Bay Area, with projects focused on San Francisco, San Mateo, and Alameda Counties. Phase 3 Properties broke ground on its 570,000 SF Genesis Marina project in Brisbane scheduled for completion in 1Q 2023. Alexandria Real Estate is currently developing 751 Gateway, a 230,000 SF project in South San Francisco, also scheduled to open in 1Q 2023. Nexus on Grand is also being developed in South San Francisco by Healthpeak for its own use. The 148,413 SF project will deliver in 2Q 2023. Other developments include the 220,710 SF expansion of the Exelixis headquarters in Alameda by Stockbridge Capital Group, LLC and SteelWave's 87,000 SF theLab Berkeley in Berkeley. Additionally, Alexandria's District for Science &

Area Review



Technology in San Carlos, a 2-building campus, delivered 556,000 and Healthpeak's The Shore at Sierra Point, Phases 2 and 3, in Brisbane delivered 399,000 SF in 3Q 2021.

INVESTMENT SALES

Several investment sales occurred in the third quarter in the Bay Area. In San Mateo, Tarlton Properties completed a 231,686 SF, two-building deal at 2929 and 2955 Campus Drive. They purchased the property from Invesco for \$119.7 million, or \$516/SF. In San Carlos, Alexandria Real Estate Equities purchased San Carlos Commerce Center from Peninsula Land Capital. The six-property business park is located on 1501-1599 Industrial Rd and totals 108,530 SF. ARE purchased the property for \$21.8 million, equaling approximately \$1,032/SF. Another third quarter investment transaction includes the former Oracle HQ buildings in Redwood Shores. The large tech company moved their headquarter location from Redwood Shores to Austin Texas in 2020. In August 2021, the four-building campus was purchased by BioMed Realty for \$160 million (\$743/SF) and totals 215,239 SF. BioMed Realty plans to convert the buildings from Class A office to Life Science, continuing a growing trend of office conversions up and down the West Coast.

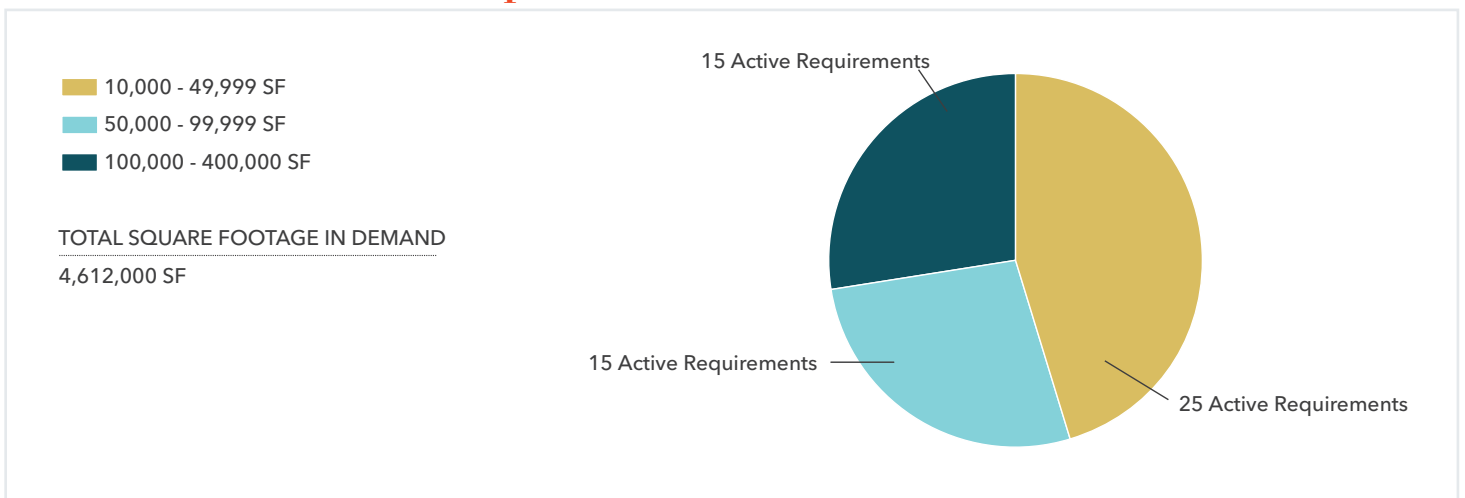
In East Bay, Invesco purchased a 48,038 SF project at 600 Bancroft Way in Berkeley from Thor Equities for \$39.5 million (\$821/SF). In Alameda, Paceline continued to acquire adjacent assets in Harbor Bay. After purchasing three properties in June totaling 86,000 SF, they purchased two more buildings (1321 and 1351 Harbor Bay Pkwy) in July totaling 158,000 SF and another one (1411 Harbor Bay Pkwy) in September totaling 33,000 SF. Collectively, they purchased all six buildings for approximately \$138 million averaging between \$262/SF and \$461/SF. Lastly, Ideal Property Investments purchased 25377 and 25385 Huntwood in Hayward from Rago Development. These two properties total 48,560 SF and sold for \$8.4 million (\$173/SF). The buyer plans to convert this building into a life science property.

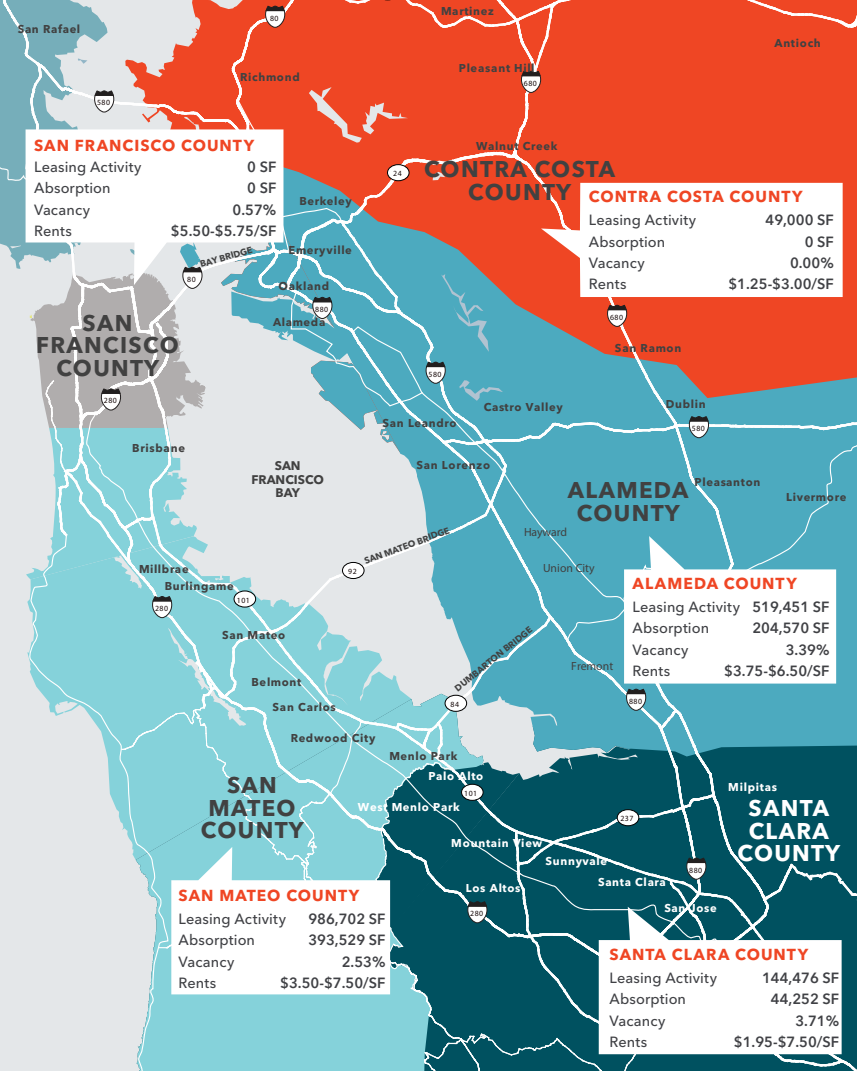
3Q Venture Capital Financing

Series Type	\$Funded
Seed Stage	\$75,320,000
Series A	\$272,900,000
Series B	\$679,360,000
Series C	\$669,870,000
Series D	316,000,000
Series E	\$0
Series F	\$0
Series G	\$0
Mezzanine	\$0
Series Undisclosed	\$0
Acquisition	\$9,799,600,000
Debt/Equity Financing	\$0
IPO	\$1,958,620,000
PIPE	\$435,000,000
Private/Share Placement	\$0
Research Grant	\$1,800,000
Corporate Partnership	\$0
Total	\$14,208,470,000

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

Demand for Life Science Space





Notable Lease Transactions

FREENOME 3000 & 3300 Marina Blvd., Brisbane
350,000 SF

GENETECH 751 Gateway, South San Francisco
230,000 SF

ALTOS THERAPEUTICS 2000-2600 Bridge Pkwy.,
Redwood City | 181,500 SF

SANA BIOTECHNOLOGY 5567 Cushing Pkwy.,
Newark | 163,193 SF

ARCUS BIO Point Eden Way & Research Rd.,
Hayward | 149,364 SF

ARASTRADERO 3160-3181 Porter Dr., Palo Alto
140,000 SF

PERSONALIS 6600 Dumbarton Circle, Fremont
100,000 SF

NKARTA 1150 Veterans, South San Francisco
88,106 SF

BOLT THREADS 2222 5th St., Berkeley
50,864 SF

RECODE THERAPEUTICS 1140 O'Brien Dr.,
Menlo Park | 31,245 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, asset services, 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 **39/20** TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

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

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