**MARKET TRENDS | BAY AREA**

LIFE SCIENCE

**4TH QUARTER
2021**▲ **ABSORPTION** | ▲ **VACANCY** | ▲ **RENTAL RATE**

Market Forecast

The Life Science market's expansion accelerated in the Bay Area in Q4 2021 with gross absorption totaling 1.57 million SF and positive net absorption of 653,073 SF.

The 2021 year end figures are approximately 5.5 million SF of gross absorption and roughly 2.2 million SF of positive net absorption. Gross absorption for 2021 was more than 1 million SF greater than 2019's total of 4.04 million SF despite the ongoing COVID-19 pandemic. Demand for life science space is growing rapidly which is pushing many developers to convert existing space into life science.

In the fourth quarter, San Mateo County led all Bay Area regions with 666,164 SF of gross absorption, followed by Alameda County with 425,602 SF. New life science development remains active in the Bay Area, with just under 3.3 million SF under construction. In addition, an increasing number of new conversions of office, industrial, and tech buildings to life science use are under way or planned. The vacancy rate rose slightly from 2.8% in Q3 to 3.5% in Q4. Biotech demand continues to be very active, with 5.7 million SF of tenant requirements currently being tracked by Kidder Mathews. Additionally, venture capital funding continues to soar with \$3.5 billion in Q4 2021.

SAN FRANCISCO COUNTY

San Francisco County reported 133,896 SF of Life Sciences leasing activity in the fourth quarter that was driven entirely by Vir Biotechnology leasing 133,896 SF of space at 1800 Owens Street. With only 10,807 SF available and occupancy at near capacity with vacancy at only 1.19%, tenants are finding more favorable opportunities in Alameda, Santa Clara, and San Mateo counties. The county's base inventory will grow by 300,000 SF when Tishman completes the construction of Mission Rock, Building B. The project is planned to be delivered in 4Q 2022.

SAN MATEO COUNTY

Life science activity continues to dominate in San Mateo County, with 666,164 SF of gross absorption and 216,994 SF of positive net absorption in 4Q 2021. Notable leasing activity in South San Francisco includes an 85,165 SF lease by Graphite Bio at Healthpeak's 233 East Grand and a 66,234 SF lease by Nobell Foods at 700 Gateway Blvd. Further South on the Peninsula, Dren Bio executed a lease for 31,320 SF in Foster City.

No new development projects broke ground in San Mateo County during the fourth quarter. Developments

The Bay Area life science market had an impressive 2021 with another consecutive year of positive net absorption. Despite the ongoing COVID-19 pandemic, demand for life science space in the Bay Area is booming and showing no signs of slowing down.

currently under construction include 755,764 SF with Kilroy Realty's Oyster Point in South San Francisco and Phase 3 Properties' Genesis Marina with 570,000 SF in Brisbane. The Genesis Marina project is planned to be delivered in early 2022. Biomed Realty is still building out Phases II and III of Gateway of Pacific in South San Francisco adding 790,000 SF.

Vacancy rates rose 10 basis points to 2.7%, from 2.6% in the last quarter. Asking rental rates stand between \$6.50 NNN and \$7.50 NNN PSF/month.

SANTA CLARA COUNTY

Santa Clara County saw an increase in leasing activity in Q4 2021, with 272,592 SF of gross absorption, driven almost entirely by the 158,221 SF lease by PROCEPT Biorobotics at 150 Baytech Dr in San Jose. An additional 179,505 SF became available for lease or sublease in 4Q 2021. Currently there are no new ground-up 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.

Vacancy rates jumped 133 basis points over 4Q 2021 to 5.03% from 3.70% reported in 3Q. Asking rental rates range between \$2.02 NNN and \$7.50 NNN PSF/month.

ALAMEDA COUNTY

Alameda County had a strong fourth quarter, reporting 425,602 SF of gross absorption and 219,903 SF of positive net absorption. Top leases include the 97,689 SF lease by Arsenal Bio at 24600-24680 Industrial Rd in Hayward and Alamar Bioscience's 88,481 SF lease at 47071 Bayside Parkway in Fremont.

There is currently 380,636 SF under construction, the largest of which is 220,710 SF at 1951 Harbor Bay Parkway in Alameda 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 122 basis points in 4Q 2021 to 4.62%, with asking rental rates ranging between \$3.95 NNN and \$6.55 NNN PSF/month.

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 neighboring counties.

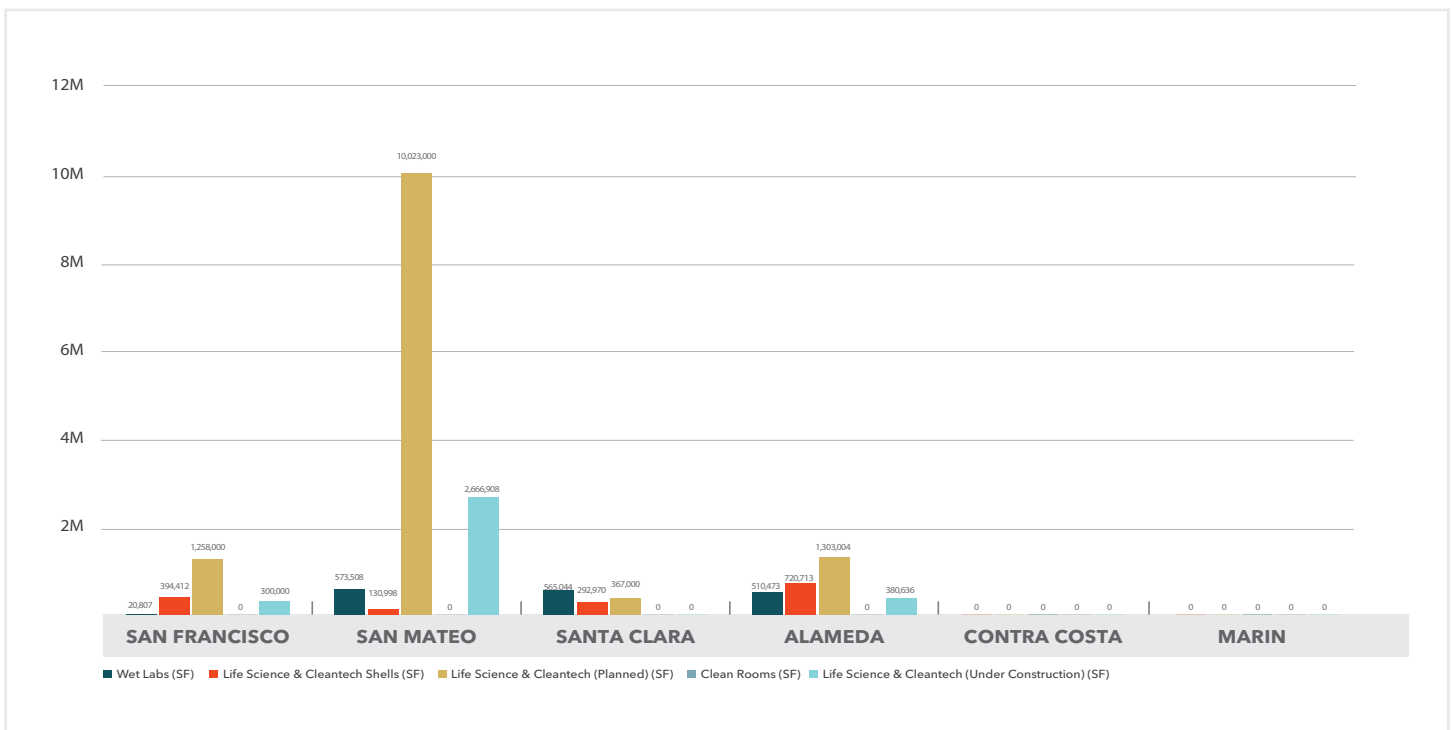
CONSTRUCTION ACTIVITY

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' Genesis Marina project in Brisbane has 570,000 SF 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. The 148,413 SF project will deliver in 2Q 2023.

INVESTMENT SALES

Several investment sales occurred in the fourth quarter in the Bay Area primarily to convert existing space into life science. In the East Bay, Tarlton Properties purchased The Crossroads Research Center located at 3200 Whipple in Union City from Woodstock Development. The four property sale consisted of 322,318 SF for \$160.83

Area Review



million. DivcoWest purchased 100,187 SF at 6550 Dumbarton Circ in Fremont from Lincoln Properties for \$72 million. 918 Parker St, Berkeley was purchased by City Center Real Estate Partners for \$21.98 million where the 39,947 SF property may be converted into life science space. 2023 8th St, Berkeley was purchased by Machaon Diagnostics, Inc. for \$6.2 million. The 20,886 SF property previously was a charter school but will be repurposed for lab space in the future. Longfellow properties purchased 6601 Shellmound St. in Emeryville—a 2.27-acre property adjacent to Longfellow’s Atrium building. Longfellow plans to build a life science cluster consisting of 200,00 SF Class A buildings.

Alexandria Real Estate made some splashes in the Peninsula with several large purchases all geared toward creating more life science spaces. In San Carlos ARE purchased several properties on Bransten Rd from Black Mountain Properties for \$55 million. The 58,825 SF purchase will be redeveloped into a 208,332 SF class-A life science building at 888 Bransten. In Millbrae, ARE purchased two industrial buildings at 201 & 231 Adrian Rd for \$21 million. The two properties totaled 40,671 SF (\$516.34/SF). In San Bruno, ARE plans to develop 700,000 SF at 1122 El Camino Real (a former JC Penney Location). They recently purchased this land from Hilco Real Estate for \$105 million.

SteelWave purchased 14.5-acres of land at 180 El Camino, South San Francisco. The buyer plans to develop up to 700,000 SF of new life science space. Longfellow Real Estate purchased 210 Adrian Rd, Millbrae for \$80 million with plans to construct over 260,000 SF of Class A life science space in 2023. Phase 3 acquired 1400 Fashion Island, San Mateo from Invesco for \$72.25 million. They plan to convert the 178,515 SF office building into life science space. Over in Redwood City IQHQ purchased 10 Twin Dolphin Dr from Oracle. The property, consisting of 263,024 SF office building on 15-acres of land, was purchased for \$164 million. The buyer will demolish the building to develop a life science campus.

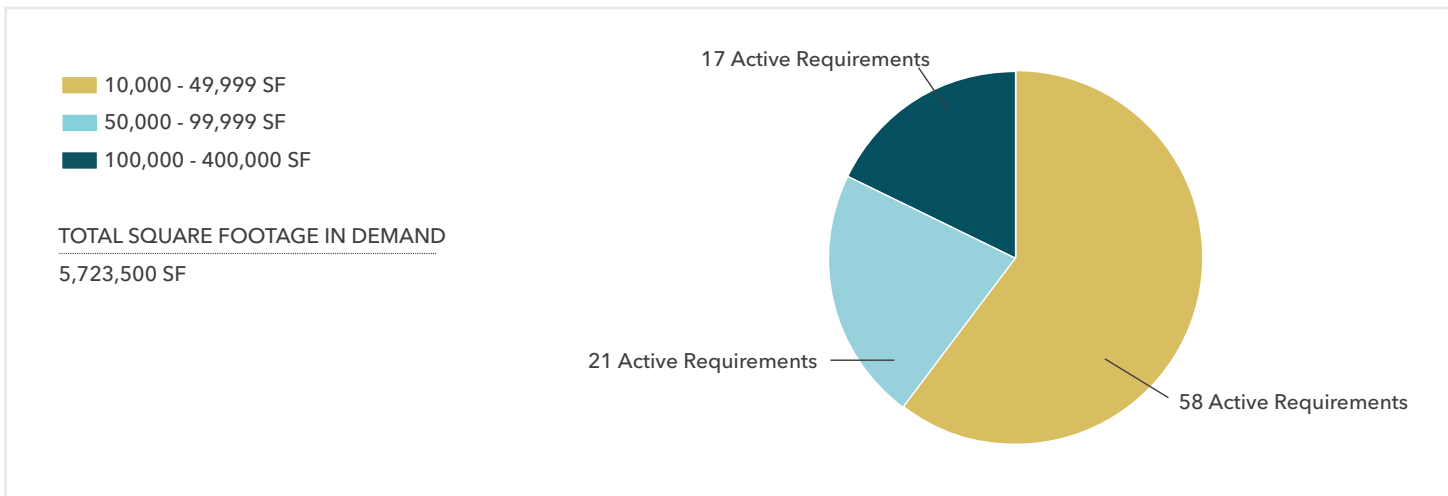
Sources: KM Research, CoStar

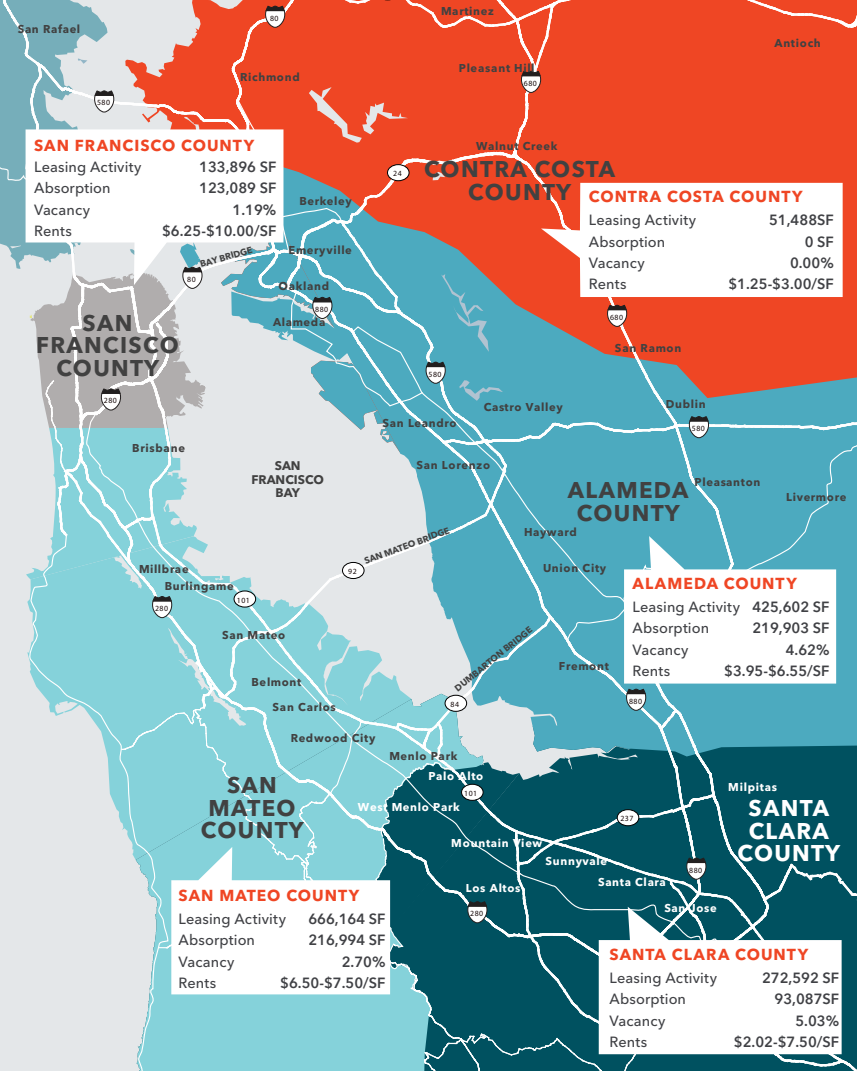
4Q Venture Capital Financing

Series Type	\$Funded
Seed Stage	\$48,390,000
Series A	\$291,140,000
Series B	\$492,410,000
Series C	\$248,003,000
Series D	\$416,460,000
Series E	\$100,000,000
Series F	\$0
Series G	\$0
Mezzanine	\$0
Series Undisclosed	\$0
Acquisition	\$1,792,620,000
Debt/Equity Financing	\$0
IPO	\$118,750,000
PIPE	\$42,000,000
Private/Share Placement	\$0
Research Grant	\$50,000
Corporate Partnership	\$0
Total	\$3,549,823,000

Month Funded	# of Companies
October	21
November	25
December	21
Total	67

Demand for Life Science Space





Notable Lease Transactions

PROCEPT BIOROBOTICS 150 Baytech Dr., San Jose
158,221 SF

VIR BIOTECHNOLOGY 1800 Owens St,
San Francisco | 133,896 SF

ARSENALBIO 24600-24680 Industrial Rd., Hayward
97,689 SF

ALAMAR BIOSCIENCES, INC 47071 Bayside Pkwy.,
Fremont | 88,481 SF

GRAPHITE BIO 233 E Grand Ave., South San
Francisco | 85,165 SF

NOBELL FOODS 700 Gateway Blvd., South San
Francisco | 66,234 SF

ALLAY THERAPEUTICS 2720 Zanker Rd., San Jose
49,062 SF

REVOLUTION MEDICINES, INC 800 Saginaw Dr.,
Redwood City | 41,445 SF

TOTUS MEDICINES, INC 1480 64th St., Emeryville
33,884 SF

NEPHROSANT, INC. 1900 Alameda De Las Pulgas,
San Mateo | 33,008 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

49.7M ANNUAL SALES SF

460+ NO. OF BROKERS

\$10.9B ANNUAL TRANSACTION VOLUME

43.7M ANNUAL LEASING SF

VALUATION ADVISORY

2,600+ APPRAISALS ANNUALLY

51/24 TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M MANAGEMENT PORTFOLIO SF

\$11B IN ASSETS UNDER MANAGEMENT

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