

# LIFE SCIENCE & CLEANTECH

## San Francisco Bay Area Real Estate Market Review

San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa & Marin

Mid-Year 2008

**G**VA Kidder Mathews is pleased to present our Life Science and CleanTech Real Estate Report for mid-year 2008. The six Bay Area counties tracked by this report show an overall vacancy of 2,752,675 s.f. of existing wet lab space. Vacancy is relatively low in key submarkets, and the desirable markets remain very healthy. Rates currently range from \$1.50 to \$2.75/s.f./per month, NNN, for second and third generation sublease space, with brand new Class A laboratory space ranging from \$3.00 to \$4.25/s.f., NNN.

### MARKET OVERVIEW

Several large blocks of space became available throughout the past couple of months, including Protein Design Lab's (PDL) Pacific Shores Campus totaling 447,747 s.f., 165,000 s.f. which consists of combined office and laboratories and the balance is office space. Additionally, their previously occupied Ardenwood campus in Fremont is available, which totals 140,608 s.f. of combined office and laboratory in three buildings. Ev3, which acquired Fox Hollow, has put their 60,985 s.f. of lab, clean room, and office space in Redwood City on the market for sublease.

Despite these newly available facilities, there is significant lease activity to report in the Bay Area, such as Newark's Pacific Research Center where three lease transactions were completed totaling over 330,000 s.f.

While downsizing within certain large companies has been portrayed as a trend occurring over the entire industry by the media, the Bay Area's life science and cleantech market remains strong; in part reflected by the venture capital communities' ongoing commitment to its growth. According to the Ernst & Young's Global Biotechnology Report 2008,

### LEASE COMPARABLES

TENANT	SF	ADDRESS	LOCATION
PENUMBRA	72,788	1351 Harbor Bay Pkwy	Alameda
PACIFIC BIOSCIENCES	60,480	1505-1525 Adams Dr	Menlo Park
KALOBIOS	48,016	260 East Grand Ave	S San Francisco
INTARCIA THERAPEUTICS	41,959	24600 Industrial Pkwy	Hayward
CARDICA	41,415	900 Saginaw Dr	Redwood City
CODEXIS	37,856	400 Penobscot Dr	Redwood City
ANACOR	36,960	1020 East Meadow Cr	Palo Alto
SINGULEX	27,276	1650 Harbor Bay Pkwy	Alameda
SUTRO BIOPHARMA	24,544	310 Utah Ave	S San Francisco
NGM PHARMA	24,105	630 Gateway Ave	S San Francisco
OXONICA	19,800	325 Middlefield Rd	Mountain View
CARDIOKINETICS	16,000	923 Hamilton Ave	Menlo Park
PHARMACOFORE	13,000	75 Shoreway Rd	San Carlos

## Market <sup>Up</sup> Close

- The overall vacancy is 2,752,675 s.f. of existing wet lab space. Vacancy is relatively low in key submarkets, and the desirable markets remain very healthy.
- The average lease rates currently range from \$1.50 to \$2.75/s.f. per month, NNN for second and third generation sublease space with brand new Class A laboratory space ranging from \$3.00 to \$4.25/s.f., NNN.
- According to the Ernst & Young *Global Biotechnology Report 2008*, new investment in emerging life science technologies and therapies was reportedly \$5.5 billion in the U.S. alone in 2007; about \$2 billion more than the previous record set in 2006.

### 2007 GVA Kidder Mathews Results

- \$2.5 Billion Total Transaction Volume
- 14 Million SF Leasing Transactions
- 11 Million SF Sales Transactions
- 22 Million SF Under Management
- 900 Valuation Assignments

new investment in emerging life science technologies and therapies was reportedly \$5.5 billion in 2007 in the U.S. alone; about \$2 billion more than the previous record set in 2006. Deal-making in the U.S. reached new heights in 2007, with the total potential value of deals announced during the year, including mergers, acquisitions, and strategic alliances, approaching \$60 billion (outdistancing all other years by a wide margin).

Revenues of public biotechnology companies in the U.S. rose over 11% from \$58.6 billion in 2006 to \$65.2 billion in 2007. However, approvals by the U.S. Food and Drug Administration (FDA) for both pharmaceuticals and biologics slid precipitously in 2007, with the lowest number of new molecular entity (NME) approvals in over two decades.

According to the BayBio's Impact 2008 Report, 492 products are currently in Phase II and Phase III clinical trials for Northern California life science companies; an increase of 100 from 392 reported last year, which will hopefully add to the 408 products already on the market. In order to develop this healthy pipeline, \$50 to \$100 billion is expected to be invested by the industry in facilities, new equipment, manufacturing, and employment. As such, we anticipate substantial real estate activity in the coming months from the expansion of mature and mezzanine companies, to the young start-ups requiring new smaller, short-term laboratory space.

The following summaries provide general data for the Bay Area in the six dominant counties:

### AVAILABILITY SUMMARY

County	Totals	Totals	Totals	Totals	Wet Labs / Device Space with		
	Shell	Shells-Planned	Clean Rooms*	Web Labs/ Device Space	cGMP	Vivarium	Clean Room
SAN FRANCISCO	342,929	934,000	0	0	0	0	0
SAN MATEO	1,013,154	1,900,000	0	1,091,668	20,000	36,909	9,010
SANTA CLARA	35,390	0	398,914	271,794	0	0	7,750
ALAMEDA	1,361,202	175,000	107,198	972,026	5,800	16,350	13,885
CONTRA COSTA	0	0	0	297,000	107,000	0	0
MARIN	0	0	0	0	0	0	0
GRAND TOTALS	2,752,675	3,009,000	506,112	2,632,488	132,800	53,259	30,645

### ABSORPTION SUMMARY

County	Totals	Totals	Totals	Totals	Wet Labs / Device Space with		
	Shell	Shells-Planned	Clean Rooms*	Web Labs/ Device Space	cGMP	Vivarium	Clean Room
SAN FRANCISCO	0	N/A	0	0	0	0	0
SAN MATEO	120,000	N/A	0	369,748	0	0	9,520
SANTA CLARA	0	N/A	0	154,008	0	0	0
ALAMEDA	353,295	N/A	0	96,895	0	0	0
CONTRA COSTA	0	N/A	0	0	0	0	0
MARIN	0	N/A	0	0	0	0	0
GRAND TOTALS	473,295		0	620,651	0	0	9,520

### LOCAL OFFICES

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Suite 300  
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415.229.8888

**REDWOOD SHORES**  
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Redwood City, CA 94065  
650.769.3600

**SEATTLE**  
601 Union Street  
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Seattle, WA 98101  
206.296.9600

**PORTLAND**  
One SW Columbia Street  
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Portland, OR 97258  
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**BELLEVUE**  
500 108th Avenue NE  
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Bellevue, WA 98004  
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**SOUTH SEATTLE**  
12886 Interurban  
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