

# LIFE SCIENCE & CLEANTECH

## SF Bay Area Real Estate Market Review

Mid-Year 2008

### MARKET OVERVIEW

Rico Cheung and Janice Hennessey, members of the GVA Kidder Mathews' Life Science & Cleantech Practice Group, are pleased to present GVA Kidder Mathews' Bay Area Life Science & Cleantech Real Estate Summary Report for mid-year 2008. The six Bay Area counties tracked by this report show an overall vacancy of 2,632,488 s.f. of existing wet lab space. Vacancy is relatively low in key submarkets, and the desirable markets remain very healthy. Please refer to the summary on page two. Rates currently range from \$1.50 NNN to \$2.75 NNN/s.f. per month for 2nd and 3rd generation sublease space, with brand new Class A laboratory space ranging from \$3.00 to \$4.25 NNN/s.f.

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., of which 165,000 s.f. consists of office and laboratories and the balance is office space. Additionally, their previously occupied Ardenwood campus in Fremont totaling 140,608 s.f. of office and laboratory in three buildings is available. 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, the Bay Area had

some significant lease activity to report. Newark's Pacific Research Center completed three lease transactions totaling over 330,000 s.f.

While downsizing within certain large companies has been portrayed by the media to be a trend occurring over the entire industry, the Bay Area life science & cleantech market remains strong, in part reflected by the venture capital communities' ongoing commitment to its growth. 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 US alone in 2007, which was 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 US rose over 11% from \$58.6 billion in 2006 to \$65.2 billion in 2007. However, approvals by the US 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.

### SIGNIFICANT TRANSACTIONS MID-YEAR 2008

PROPERTY	Square Feet	Address	Location
PENUMBRA	72,788	1351 Harbor Bay Parkway	Alameda
PACIFIC BIOSCIENCES	60,480	1505-1525 Adams Drive	Menlo Park
KALOBIOUS	48,016	260 East Grand Avenue	South San Francisco
INTARCIA THERAPEUTICS	41,959	24600 Industrial Parkway	Hayward
CARDICA	41,415	900 Saginaw Drive	Redwood City
CODEXIS	37,856	400 Penobscot Drive	Redwood City
ANACOR	36,960	1020 East Meadow Circle	Palo Alto
SINGULEX	27,276	1650 Harbor Bay Parkway	Alameda
SUTRO BIOPHARMA	24,544	310 Utah Avenue	South San Francisco
NGM PHARMA	24,105	630 Gateway Avenue	South San Francisco
OXONICA	19,800	325 Middlefield Road	Mountain View
CARDIOKINETICS	16,000	923 Hamilton Avenue	Menlo Park
PHARMACOFORE	13,000	75 Shoreway Road	San Carlos

According to the Bay Bio Impact Report 2008, 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, as well as young start-ups requiring new smaller, short term laboratory space.

The following summary provides general data for the Bay Area in the six dominant counties.

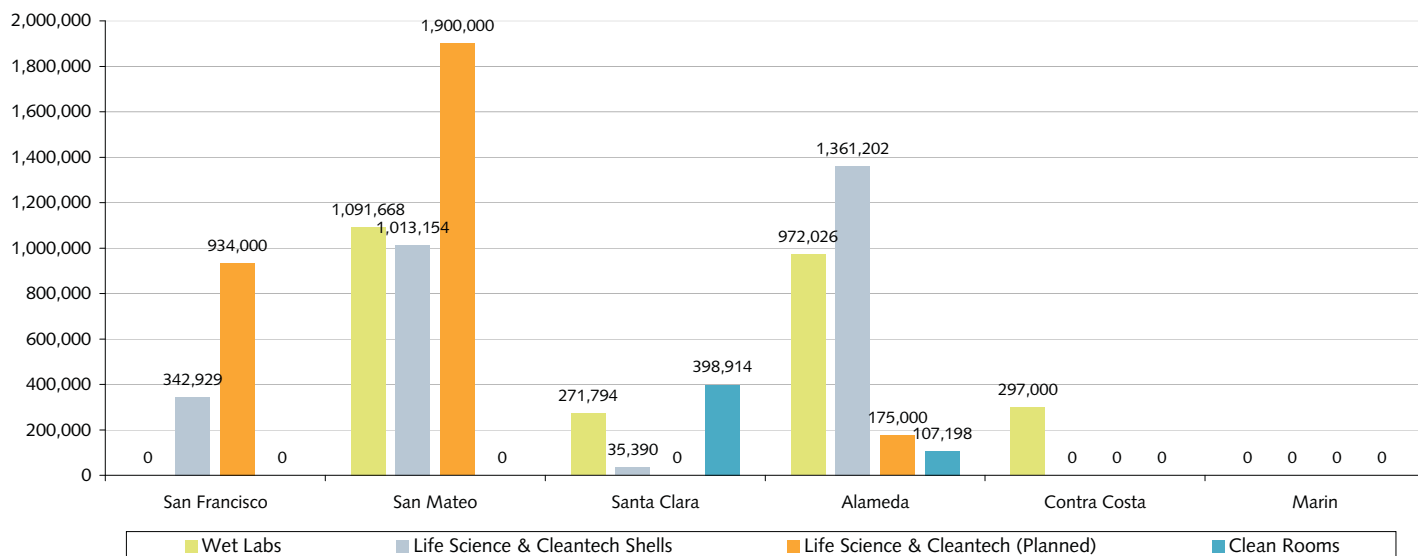
### AVAILABILITY SUMMARY

County	Totals	Totals	Totals	Totals	Wet Labs / Device Space with		
	Shells	Shells - Planned	Clean Rooms (Non Life Science Use)	Wet 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
<b>GRAND TOTALS</b>	<b>2,752,675</b>	<b>3,009,000</b>	<b>506,112</b>	<b>2,632,488</b>	<b>132,800</b>	<b>53,259</b>	<b>30,645</b>

### ABSORPTION SUMMARY

County	Totals	Totals	Totals	Totals	Wet Labs / Device Space with		
	Shells	Shells - Planned	Clean Rooms (Non Life Science Use)	Wet 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
<b>GRAND TOTALS</b>	<b>473,295</b>		<b>0</b>	<b>620,651</b>	<b>0</b>	<b>0</b>	<b>9,520</b>

### AVAILABILITY BY AREA



### GVA KIDDER MATHEWS OFFICES

**SAN FRANCISCO**  
415.229.8888

**REDWOOD SHORES**  
650.769.3550

**SEATTLE**  
206.296.9600

**PORTLAND**  
503.221.9900

**BELLEVUE**  
425.454.7040

**TACOMA**  
253.722.1400

Rico Cheung  
650.769.3525  
ricoc@gvakm.com

Janice Hennessey  
415.229.8950  
janiceh@gvakm.com

203 Redwood Shores Parkway, Suite 530 Redwood Shores CA 94065 650.769.3600

505 Sansome Street, Suite 300, San Francisco CA 94111 415.229.8888

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## AVAILABILITY BY COUNTY

San Francisco County	Shells	Shells (Planned)	Clean Rooms (Non Life Science Use)	Wet Labs / Device Space	Wet Labs / Device Space with		
					cGMP	Vivarium	Clean Room
Under 4,999 sf							
5,000 - 9,999 sf	3						
10,000 - 14,999 sf							
15,000 - 19,999 sf							
20,000 - 24,999 sf	1	2					
25,000 - 29,999 sf							
30,000 - 34,999 sf		1					
35,000 - 39,999 sf		1					
40,000 - 44,999 sf		1					
45,000 - 49,999 sf							
50,000 - 54,999 sf							
55,000 - 59,999 sf							
60,000 - 64,999 sf		1					
65,000 - 69,999 sf							
70,000 - 74,999 sf							
75,000 - 79,999 sf							
80,000 - 84,999 sf							
85,000 - 89,999 sf							
90,000 - 94,999 sf							
95,000 - 99,999 sf							
Over 100,000 sf	2	4					

San Mateo County	Shells	Shells (Planned)	Clean Rooms (Non Life Science Use)	Wet Labs / Device Space	Wet Labs / Device Space with		
					cGMP	Vivarium	Clean Room
Under 4,999 sf							4
5,000 - 9,999 sf							11
10,000 - 14,999 sf	2						9
15,000 - 19,999 sf	2						6
20,000 - 24,999 sf	3	1					3
25,000 - 29,999 sf	6	1				1	4
30,000 - 34,999 sf							1
35,000 - 39,999 sf	1						
40,000 - 44,999 sf	3	1					3
45,000 - 49,999 sf							1
50,000 - 54,999 sf							
55,000 - 59,999 sf							1
60,000 - 64,999 sf							3
65,000 - 69,999 sf							
70,000 - 74,999 sf							
75,000 - 79,999 sf							1
80,000 - 84,999 sf							
85,000 - 89,999 sf	1	1					1
90,000 - 94,999 sf	1						
95,000 - 99,999 sf							
Over 100,000 sf	4	4				1	1

Santa Clara County	Shells	Shells (Planned)	Clean Rooms (Non Life Science Use)	Wet Labs / Device Space	Wet Labs / Device Space with		
					cGMP	Vivarium	Clean Room
Under 4,999 sf				3			
5,000 - 9,999 sf			2	4			
10,000 - 14,999 sf			1	6			1
15,000 - 19,999 sf			2	5			2
20,000 - 24,999 sf			3	1			1
25,000 - 29,999 sf			1	4	1		
30,000 - 34,999 sf			1				
35,000 - 39,999 sf	1		1	2			
40,000 - 44,999 sf			1				
45,000 - 49,999 sf							
50,000 - 54,999 sf			1				
55,000 - 59,999 sf							
60,000 - 64,999 sf							
65,000 - 69,999 sf							
70,000 - 74,999 sf							
75,000 - 79,999 sf			1				
80,000 - 84,999 sf							
85,000 - 89,999 sf							
90,000 - 94,999 sf							
95,000 - 99,999 sf							
Over 100,000 sf							

Alameda County	Shells	Shells (Planned)	Clean Rooms (Non Life Science Use)	Wet Labs / Device Space	Wet Labs / Device Space with		
					cGMP	Vivarium	Clean Room
Under 4,999 sf							4
5,000 - 9,999 sf							7
10,000 - 14,999 sf	1		3				2
15,000 - 19,999 sf	1		1				3
20,000 - 24,999 sf	1						2
25,000 - 29,999 sf	2						3
30,000 - 34,999 sf	1						2
35,000 - 39,999 sf							1
40,000 - 44,999 sf	1						1
45,000 - 49,999 sf							1
50,000 - 54,999 sf			1				2
55,000 - 59,999 sf						1	1
60,000 - 64,999 sf							3
65,000 - 69,999 sf							
70,000 - 74,999 sf		1					1
75,000 - 79,999 sf	1						1
80,000 - 84,999 sf							
85,000 - 89,999 sf	1						
90,000 - 94,999 sf	1						
95,000 - 99,999 sf		1					
Over 100,000 sf	5						1

Contra Costa County	Shells	Shells (Planned)	Clean Rooms (Non Life Science Use)	Wet Labs / Device Space	Wet Labs / Device Space with		
					cGMP	Vivarium	Clean Room
Under 4,999 sf				1			
5,000 - 9,999 sf				1			
10,000 - 14,999 sf							
15,000 - 19,999 sf							
20,000 - 24,999 sf							
25,000 - 29,999 sf							
30,000 - 34,999 sf							
35,000 - 39,999 sf							
40,000 - 44,999 sf							
45,000 - 49,999 sf							
50,000 - 54,999 sf							
55,000 - 59,999 sf							
60,000 - 64,999 sf							
65,000 - 69,999 sf							
70,000 - 74,999 sf							
75,000 - 79,999 sf							
80,000 - 84,999 sf							
85,000 - 89,999 sf							
90,000 - 94,999 sf							
95,000 - 99,999 sf							
Over 100,000 sf				2	1		

Marin County	Shells	Shells (Planned)	Clean Rooms (Non Life Science Use)	Wet Labs / Device Space	Wet Labs / Device Space with		
					cGMP	Vivarium	Clean Room
Under 4,999 sf							
5,000 - 9,999 sf							
10,000 - 14,999 sf							
15,000 - 19,999 sf							
20,000 - 24,999 sf							
25,000 - 29,999 sf							
30,000 - 34,999 sf							
35,000 - 39,999 sf							
40,000 - 44,999 sf							
45,000 - 49,999 sf							
50,000 - 54,999 sf							
55,000 - 59,999 sf							
60,000 - 64,999 sf							
65,000 - 69,999 sf							
70,000 - 74,999 sf							
75,000 - 79,999 sf							
80,000 - 84,999 sf							
85,000 - 89,999 sf							
90,000 - 94,999 sf							
95,000 - 99,999 sf							
Over 100,000 sf							

## GVA KIDDER MATHEWS TEAM

GVA Kidder Mathews' Life Science and Cleantech Real Estate Group believes in having a regional practice, rather than being confined to a city or sub-region like our competitors. We are expanding rapidly throughout the region and believe it is essential to be intimately active in all sub-market areas to understand market trends, availabilities, challenges and news in the life science and cleantech sectors which enables us to empower our clients to make informed decisions.

The Bay Area is a large, dynamic and interactive region. Rather than limiting our clients to one area, our involvement throughout the Bay Area allows us to think and execute creatively, offering our clients broader solutions to help meet their needs efficiently by considering the key ingredients of location, capital and talent.

Our eight year track record in life science and cleantech with nine team members having 90 years combined experience in the sector will give you confidence in us to help your company with all its real estate solutions. As experts, each of our team members dedicates 95% to 100% of their time working with life science and cleantech companies like yours. Our experience and dedication to the sector allows us to know and understand how your business works. Having an in depth understanding of the business rationale and our client's specific needs, along with the process, build out and timing avoids wasted time and gets the most value for your hard earned dollar.

We track laboratory availability throughout the Bay Area and have a very extensive database categorizing wet labs, clean rooms, GMP facilities, vivariums, device space and shell space. In addition, our data base of actual transactions is the most extensive in the industry. We thus can provide our clients with real time availability, absorption rental rate and tenant improvement allowance data.

For additional information about our life science and cleantech services, please contact:

**Rico Cheung** / 650.769.3525 / [ricoc@gvakm.com](mailto:ricoc@gvakm.com)  
[www.gvakm.com](http://www.gvakm.com)

**Janice Hennessey** / 415.229.8950 / [janiceh@gvakm.com](mailto:janiceh@gvakm.com)

## GVA KIDDER MATHEWS OFFICES

**SAN FRANCISCO**  
Tel: 415.229.8888

**REDWOOD SHORES**  
Tel: 650.769.3600

**SEATTLE**  
Tel: 206.296.9600

**PORTLAND**  
Tel: 503.221.9900

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Tel: 425.454.7040

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Tel: 253.722.1400

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