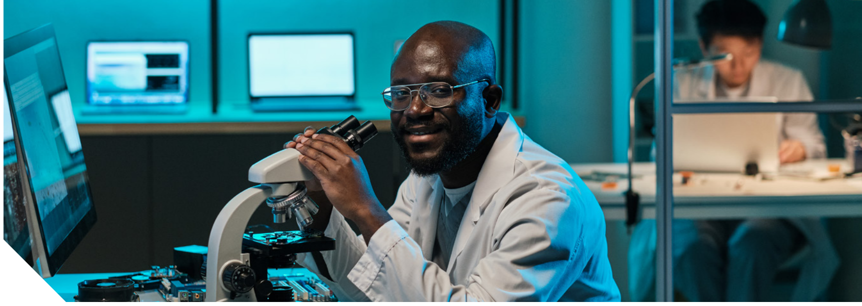

Market Report PA

Suburban Lab Leasing Surges Ahead

Shared and Flexible Options Remain the Preferred Choice in Downtown

By **Devin Zitelman,** Director, Scientific Real Estate Advisory Services / Scheer Partners
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KEY TAKEAWAYS

1. Shared Labs are the Preferred Choice for Life Science Companies

Philadelphia's shared labs, despite a -54% decline from 2023 to 2024, remain the top choice for early-stage and scaling life sciences companies, outpacing private leases. Despite higher costs per square foot, their flexibility, lower capital burden, and turnkey infrastructure make them an increasingly attractive option in the city.

2. Suburban-Philadelphia Accounts for Highest Share of Leasing Activity

The suburban submarkets including Malvern, Horsham, and King of Prussia accounted for 322,899 square feet of leasing activity, the highest level since 2022. Recent leases at Brandywine's 250 Radnor redevelopment, totaling 120,000 square feet, accounted for more than a third of activity in 2024. Rising rents downtown have driven increased tenant interest in suburban markets, where larger floor plates and lower occupancy costs offer attractive alternatives.

3. Properties Scheduled for Life Science Conversions are Returning to White Boxes

Several properties slated for life science conversions are reverting to white box conditions as developers reassess market demand, construction costs, and interest rates. This shift reflects uncertainty in the life sciences sector, with some landlords opting for buildings that can accommodate a broader range of tenant activities rather than committing to costly specialized laboratory buildouts.

4. Several Spinouts Emerged from Stealth Mode with Funding in Tow

Early-stage companies face a tougher funding environment, but limited capital hasn't deterred well-positioned spinouts with strong executive teams and high-potential technologies. Despite a shifting venture capital and public market landscape that favors proven, scalable technologies with clear commercialization paths, several Philadelphia-based biotech spinouts successfully emerged from stealth mode in 2024, securing significant funding.

FORECAST

Philadelphia's scientific leasing activity has rebounded to historical averages, increasing 165.87% year-over-year, largely driven by suburban transactions from DSM Biomedical, Trinseo, and others, totaling 309,293 square feet. While university spinouts and stealth-companies with strong funding will contribute to deal flow in 2025, expectations for significant in-market company expansions should remain tempered.

Many once-speculative developments pivoted away from lab space to alternative asset classes or are poised to revert to core-and-shell to attract alternative users as financing terms expire and high interest rates hinder options. Suburban lab space is constrained following recent absorption, while the city offers abundant availability, creating a highly competitive market for urban lab space.

As venture capital shifts toward sustainability and long-term value, and proven life science companies seek stable real estate solutions, demand should stabilize, with 2026 marking a potential inflection point for renewed leasing activity. The attraction of new entrants into the market is expected to be limited due to competitive market pricing outside the region. The market is reliant on the presence of universities and institutions to drive a pipeline of talent and companies, which has restricted the diversification of Philadelphia's tenant pool.

Existing Inventory (SF)	Under Construction (SF)	Under Renovation (SF)	Proposed (SF)	Availability Rate (%)	Avg. Asking Rents ($)
9,845,086	393,953	0	2,987,382	13.91	55.15

MARKET NARRATIVE

Philadelphia's lab market remains active, driven by major suburban transactions. The market is in a period of recalibration, although full equilibrium may take years. Significant sublease opportunities remain, primarily from companies that secured space at peak 2020-2021 cycle that resulted from an influx of demand and construction deliveries.

City lab rents are facing downward pressure, with over 90,000 square feet of existing lab space available for sublease in uCity alone. In downtown Philadelphia, tenant's cost savings will likely come through landlord concessions, primarily free rent abatement, rather than lower base rents to preserve owner's pro-forma expectations. Lower sublease rents have set a ceiling on further rate increases, preventing the ability to drive rents higher and stabilizing market pricing, particularly in the City. New lab buildings are holding firm at $65–$70 per square foot for build-scenarios from shell condition but will struggle to compete with flexible and turn-key options. To drive growth in these developments, more spec suites may be needed to attract tenants.

Brandywine is delivering a 420K square foot, ground-up life science building in Schuylkill Yards, offering full floor laboratory and GMP capable options. Photo credit: Brandywine

Expected to deliver a 225K square foot R&D lab and office space in Q2 2025, with robust infrastructure that enables research and development. Photo Credit: Breakthrough Properties

The ongoing shift in scientific real estate fundamentals allows landlords and tenants to align leasing strategies with actual demand while maintaining flexibility. Landlords are responding by prioritizing tenant retention strategies, and in some cases, repositioning assets to attract smaller, highly specialized life sciences firms that value flexibility over large lab footprints. In the near term, landlords must navigate elevated sublease availability and heightened competition by offering more creative lease structures and potentially speculatively built lab suites, to attract tenants.

NOTABLE LEASE TRANSACTIONS

Property Address
435 Creamery Way

Submarket
Malvern/Exton

Tenant Name
Trinseo

Square Feet
47,500

Deal Type
Direct New

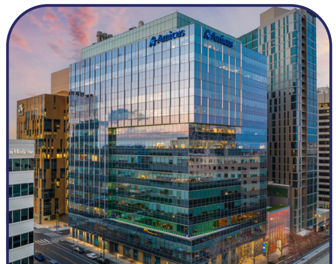
Property Address
2300 Market Street

Submarket
Center City

Tenant Name
Legend Bio

Square Feet
30,000

Deal Type
Direct New



Property Address
3675 Market Street

Submarket
uCity

Tenant Name
Wistar Institute

Square Feet
25,000

Deal Type
Sublet

FUNDING

GEMMABio
Seed
$34mm

Tolerance Bio
Seed
$17mm

Third Arc Bio
Series A
$165mm

Vetigenics
Seed
$6mm

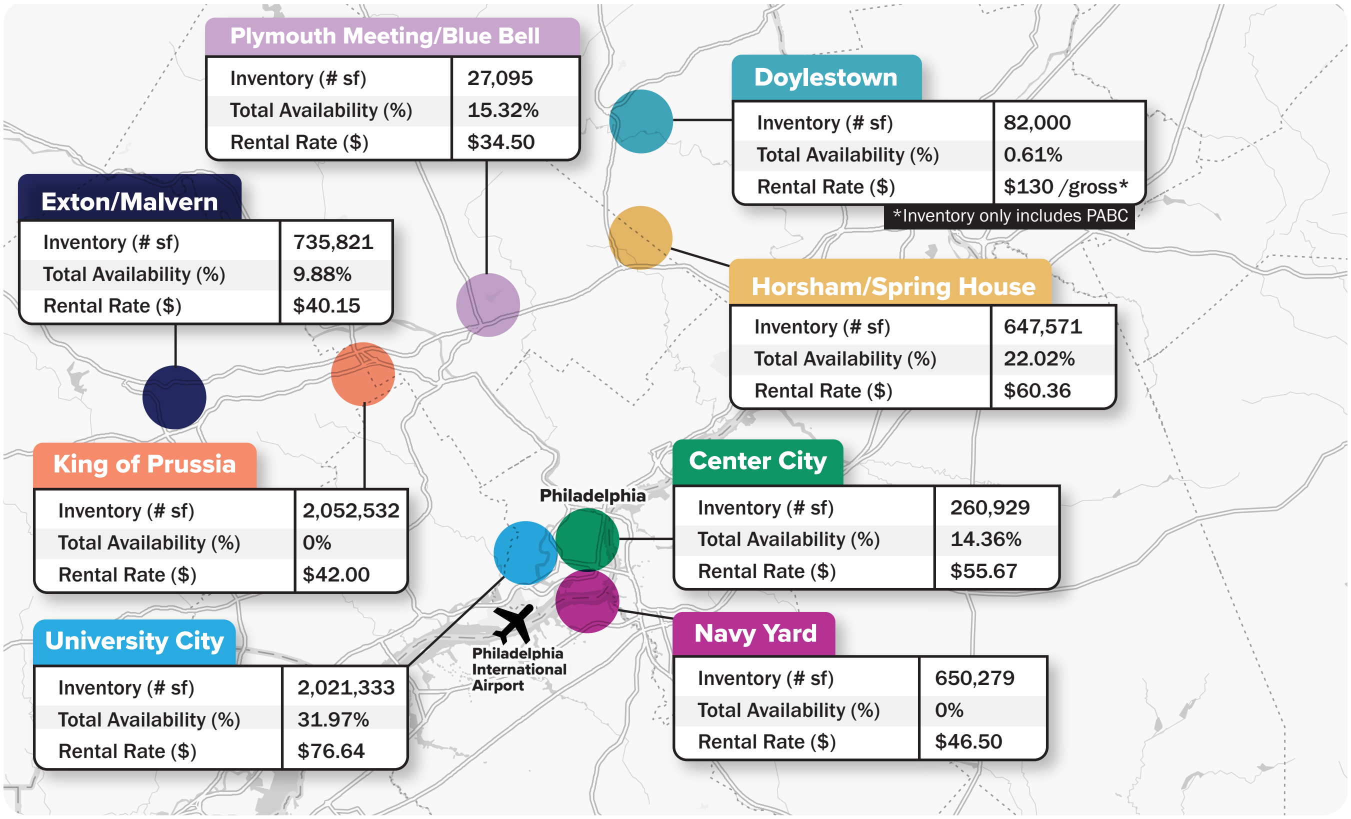
MERGERS & ACQUISITIONS

Verismo THERAPEUTICS
acquired by HLB Innovation, a member of HLB Group

MARINUS
acquired by Immedica Pharma

Scientific companies are streamlining operations through space reductions, consolidations, and subleasing to enhance efficiency and control costs. These strategies reflect a need for agility amid funding challenges and uncertainty around long-term space needs. Prospective tenants, many facing capital constraints and operational inefficiencies, are selectively evaluating their space options, making it imperative for landlords to offer flexible leasing terms and solutions to mitigate the upfront capital expenditures to secure commitments.

SUBMARKET MAP



Plymouth Meeting/Blue Bell

Inventory (# sf)	27,095
Total Availability (%)	15.32%
Rental Rate ($)	$34.50

Doylestown

Inventory (# sf)	82,000
Total Availability (%)	0.61%
Rental Rate ($)	$130 /gross*

*Inventory only includes PABC

Exton/Malvern

Inventory (# sf)	735,821
Total Availability (%)	9.88%
Rental Rate ($)	$40.15

Horsham/Spring House

Inventory (# sf)	647,571
Total Availability (%)	22.02%
Rental Rate ($)	$60.36

King of Prussia

Inventory (# sf)	2,052,532
Total Availability (%)	0%
Rental Rate ($)	$42.00

Center City

Inventory (# sf)	260,929
Total Availability (%)	14.36%
Rental Rate ($)	$55.67

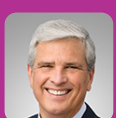
University City

Inventory (# sf)	2,021,333
Total Availability (%)	31.97%
Rental Rate ($)	$76.64

Navy Yard

Inventory (# sf)	650,279
Total Availability (%)	0%
Rental Rate ($)	$46.50

Note: Does not include asking rents for existing incubator space.



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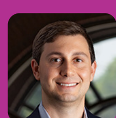

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