Corporate decisions are reshaping Philadelphia life sciences real estate

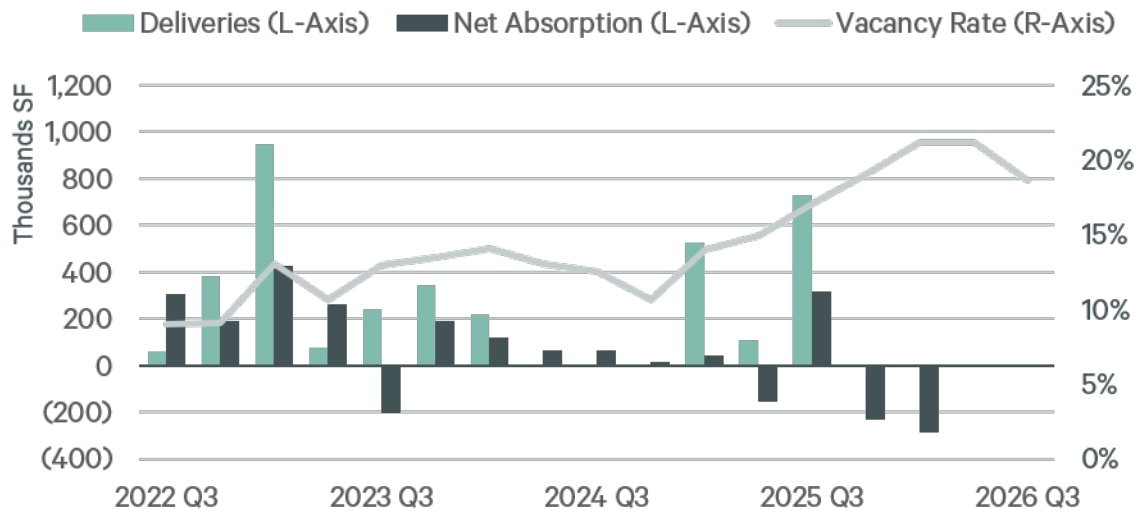
▼ 18.6%	▲ -0.5K	▶ 0.7M	▼ $54.33
	SF Net Absorption	SF Construction	NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

- Vacancy fell to 18.6% from 21.2% posted in Q2 2026, entirely driven by Burlington's purchase that removed 441,000 sq. ft. of vacant lab space from inventory.
- Leasing totaled 98,847 sq. ft. in two University City deals: The University of Pennsylvania expanded by 60,500 sq. ft. at 3401 & 3440 Market St., and Eli Lilly renewed 38,347 sq. ft. at 3711 Market St.
- Amid the lack of leasing activity, average asking rent fell $2.35 to $54.33 per sq. ft. NNN, the lowest level in the past four quarters.

Four large corporate decisions have defined the market over the past 18 months. Merck committed $1 billion to a biologics campus in Wilmington. TerraPower Isotopes leased 250,000 square feet (sq. ft.) in the Bellwether District and broke ground in May. Johnson & Johnson bought 154 acres in Spring House for cell therapy manufacturing. Each put a large, specialized, build-to-suit requirement ahead of the lab market. Q3 added the fourth, from an unlikely buyer: an off-price retailer that bought a lab building and plans to move its corporate headquarters there. Large occupiers now move the market's numbers, where venture-backed startups drove the 2020-2022 expansion.

FIGURE 1: Supply vs. Demand



Source: CBRE Research, 2026.

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Demand

New or expansion leasing activity remained restrained at just 60,500 sq. ft. tallied this quarter compared to a similar 67,500 sq. ft. signed in Q2. Activity was entirely relegated to The University of Pennsylvania's expansion for 60,500 sq. ft. at 3401 & 3440 Market St. with occupancy in January 2028. In other leases, Eli Lilly renewed 38,347 sq. ft. at 3711 Market St. while Innata Bio, a Los Angeles-based company, took space at Lilly Gateway Labs at 2300 Market St.

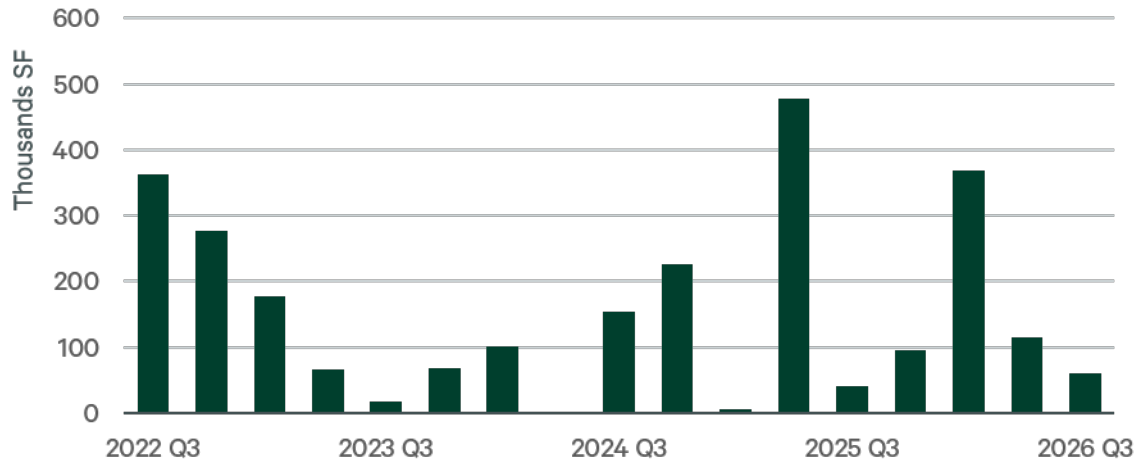
The quarter's defining event came from outside the industry. In September, Burlington Stores, Inc. announced that it will move its corporate headquarters from Burlington Township, New Jersey, to 3151 Market St. in Schuylkill Yards. The company purchased the 441,000-sq.-ft. building from Brandywine Realty Trust for $240 million, or $544 per-sq.-ft. The building was completed in 2025 as a lab property and was 4% leased at signing. Burlington expects to bring 2,000 workers and $370 million of investment to University City over five years and received a $7 million forgivable loan and a job creation tax credit from the city. Because the buyer is an office user, the price reflects the building's value as a headquarters. For lab landlords, the sale removes a competing 441,000 sq. ft. of vacant space.

Operating capacity also changed hands. Made Scientific closed its purchase of National Resilience located in an 85,000-sq.-ft. cell therapy manufacturing facility in East Norriton. The site has completed 145 GMP batches, and the buyer is onboarding client programs for 2027 supply. Elsewhere in the suburbs, Irish engineering firm Glanua opened its first U.S. office in Radnor and plans to add more than 200 jobs serving pharmaceutical and advanced manufacturing plants.

Supply

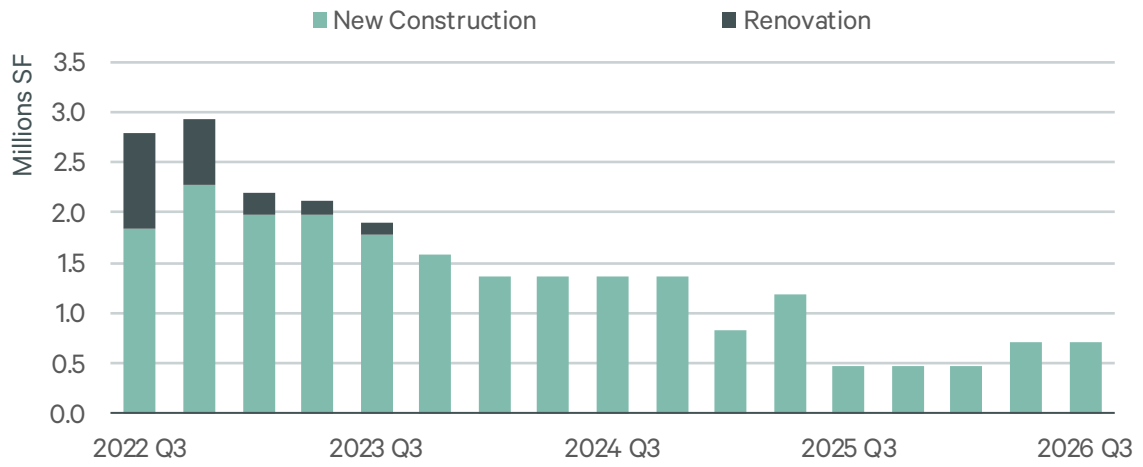
Vacancy settled at 18.6%, or 2.4 million sq. ft., across 12.8 million sq. ft. of inventory. Large blocks remain the market's weak point. At least six existing buildings carry vacant blocks of 100,000 sq. ft. or more: 3201 Cuthbert St. (274,189 sq. ft.), 2300 Market St. (143,000), 2500 League Island Blvd. (130,000), Discovery Labs Building 21 (128,418), 3.0 University Place (123,482), and Discovery Labs Building 24 (116,714). Sublease space totals roughly 436,000 sq. ft., about 18% of all vacancy, led by the Discovery Labs sublease and 90,000 sq. ft. at 3000 Market St.

FIGURE 2: Leasing Activity



Source: CBRE Research, 2026.

FIGURE 3: Active Construction Pipeline



Source: CBRE Research, 2026.

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The urban core still carries the bulk of the market's vacancy. Urban vacancy fell to 26.7% from 32.5%, but almost entirely predicated on Burlington Stores, Inc.'s acquisition of 3151 Market St. Without that, vacancy would have fallenonly 90 basis points as a result of The University of Pennsylvania's expansion at 3401 & 3440 Market St. In contrast, Suburban vacancy held at 12.5% for the second consecutive quarter. King of Prussia/Valley Forge (15.1%) and Horsham/Spring House (21.7%) carry most of the vacancy while Exton/West Chester (5.8%), Malvern (6.9%), and Lower Bucks County (3.3%) have little available supply.

Pricing

Average asking rent fell $2.35, or 4.1%, to $54.33 per sq. ft. NNN, 4.7% below the Q1 2026 peak of $57.04. The urban average dropped $2.40 to $57.64, led by University City ($63.15, down $0.87) and mostly as a function of the removal of 3151 Market St. from the market. The suburban average was nearly flat at $49.55, down $0.11. The urban premium narrowed to $8.09 per-sq.-ft. from $10.38 in Q2. As overall market vacancy still sat above the 20% mark, pricing showed no signs of growth while some long-term vacancies showed price softening.

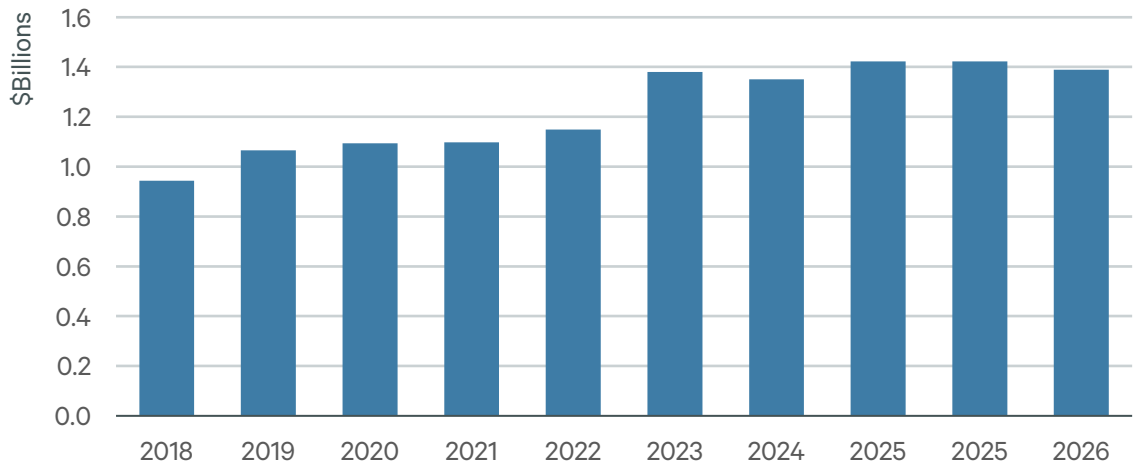
Construction

The active construction pipeline holds two projects totaling 720,000 sq. ft., both pre-leased: Merck's 470,000-sq.-ft. campus at Chestnut Run in Wilmington, and TerraPower Isotopes' 250,000-sq.-ft. Bellwether District building, where construction began in the second quarter. No speculative projects were underway at quarter's end.

Funding

On the venture capital front, Philadelphia-based Tolerance Bio licensed efineptakin alfa, a clinical-stage IL-7 therapy, from NeoImmuneTech in a deal worth up to $260 million in milestones plus equity and royalties and plans a Phase 2 trial. As the National Institutes of Health's fiscal year came to a close in September, Philadelphia received $1.39 billion in funding. Since 2023, Philadelphia has consistently received NIH funds around this level despite other regions of the country seeing contractions.

FIGURE 4: NIH Funding Awarded in Philadelphia MSA



Source: National Institute of Health.

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FIGURE 5: Submarket Statistics

	#of Buildings	Inventory (SF)	Vacancy Rate (%)	Availability Rate (%)	Net Absorption (SF)	Deliveries (SF)	Under Construction/ Renovation (SF)	Avg. Asking Rent ($/SF/Yr., NNN)
King of Prussia/ Valley Forge	25	3,847,877	15.1	15.1	0	0	0	58.47
Malvern	12	775,786	6.9	22.0	(3,836)	0	0	18.50
Horsham/ Spring House	18	1,048,240	21.7	20.9	3,306	0	0	40.92
Exton/ West Chester	10	675,554	5.8	5.8	0	0	0	25.83
New Castle County	7	503,844	0.0	0.0	0	0	470,000	-
Lower Bucks County	9	460,547	3.3	10.9	0	0	0	32.01
Suburban Total	**81**	**7,311,848**	**12.5**	**14.5**	**(530)**	**0**	**470,000**	**49.55**
University City	16	2,987,138	27.9	25.5	0	0	0	63.15
Navy Yard	10	1,089,238	31.3	31.3	0	0	250,000	46.42
Greater Northeast	3	646,399	0.0	0.0	0	0	0	-
Center City	5	737,700	38.4	38.4	0	0	0	59.72
Urban Total	**34**	**5,460,475**	**26.7**	**25.4**	**0**	**0**	**250,000**	**57.64**
Philadelphia Total	**115**	**12,772,323**	**18.6**	**19.1**	**(530)**	**0**	**720,000**	**54.33**

Source: CBRE Research, 2026.

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Market Area Overview

PHILADELPHIA OFFICE

50 S. 16th Street
Philadelphia, PA 19102

WILMINGTON OFFICE

3711 Kennett Pike
Wilmington, DE 19807

ALLENTOWN OFFICE

1275 Glenlivet Drive
Allentown, PA 18106

RADNOR OFFICE

555 E. Lancaster Avenue
Radnor, PA 19087

MOUNT LAUREL OFFICE

1000 Howard Boulevard
Mount Laurel, NJ 08054

HARRISBURG OFFICE

5 Capital Drive
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