Manufacturing investments advance as demand begins to recover

▲ 23.1%
Vacancy Rate

▲ -27.9K
SF Net Absorption

▲ 0.7M
SF Construction

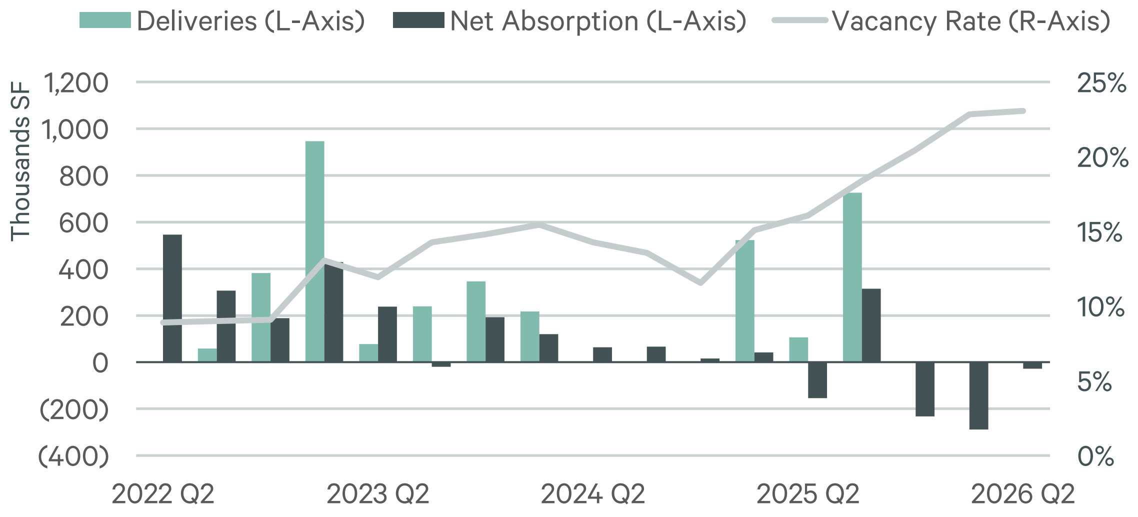
▼ $56.68
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

- TerraPower Isotopes broke ground on its flagship actinium-225 manufacturing facility at the Bellwether District in May, translating the region's largest recent lease commitment into active construction.
- New leasing activity emerged both in the urban and suburban portions of the market.
- University of Pennsylvania and Children's Hospital of Philadelphia spinout companies raised a combined $247 million in fresh capital, and Prelude Therapeutics completed a roughly $90 million equity offering, reinforcing the early signs of capital recovery that began in Q1.

Vacancy remained elevated to start the second quarter, but concrete progress on the region's largest manufacturing commitments and improving leasing activity outside the urban core offered early signs of stabilization. The story of Greater Philadelphia life sciences in 2026 has been one of bifurcation: elevated lab vacancy, offset by large, specialized manufacturing requirements that signal long-term ecosystem confidence. That dynamic continued in Q2, with several deals moving from announcement to execution.

FIGURE 1: Supply vs. Demand



Source: CBRE Research, 2026.

Demand

TerraPower Isotopes' May 2026 groundbreaking at the Bellwether District stood as the quarter's largest life sciences real estate event. The company is building a 250,000 square-foot (sq.-ft.) cGMP actinium-225 facility in south Philadelphia to produce next-generation isotopes for use in cancer treatments. The groundbreaking marked the execution of a lease signed in Q1 2026.

Beyond TerraPower, leasing activity returned in the suburbs. Aimmune Therapeutics and Third Arc Bio expanded at Spring House Innovation Park in a submarket that has seen steady institutional interest following Johnson & Johnson's adjacent 154-acre land acquisition. In the urban portion of the market, Monell Chemical Senses Center completed two leases within One uCity Center – taking both direct and sublease space for a total of 64,000 sq. ft.

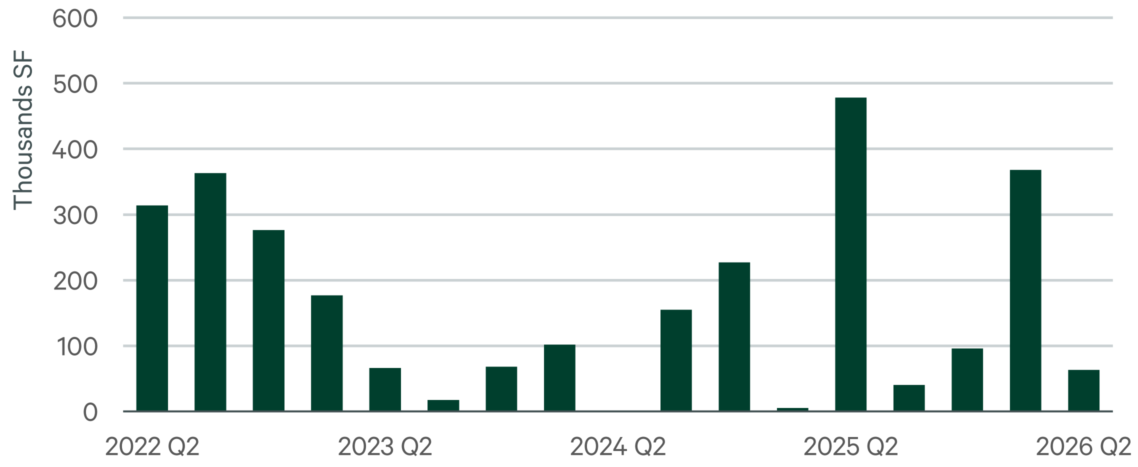
On the incubator front, GemmaBio became the first tenant at Lilly Gateway Labs' Philadelphia location, an important validation for flexible lab space as a component of the region's life sciences real estate portfolio. CTIBIOTECH also announced plans to establish its North American headquarters within incubator space at Biolabs in The Curtis, adding to the region's growing count of international life sciences companies choosing the metro for U.S. operations.

Supply

Vacancy rose to 23.1% in Q2 2026 as a result of 28,000 sq. ft. of negative absorption. University City remained the most challenged submarket in the metro, with vacancy holding near 38%, consistent with the first quarter. Center City lab availability also remained elevated following 2300 Market Street's delivery while the King of Prussia/Valley Forge submarket carried above-average vacancy following the addition of available blocks at Discovery Labs earlier in the year.

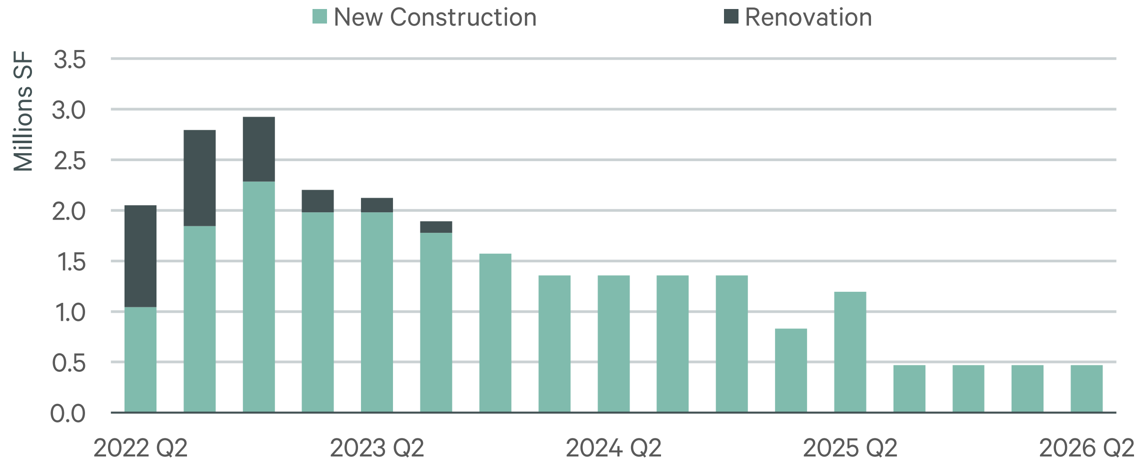
The construction pipeline stood at 720,000 sq. ft. of built-to-suit projects with no speculative projects underway, a continued point in the market's favor. The TerraPower Bellwether build-to-suit entered construction in Q2 and will ultimately add occupied space to the market upon delivery. Johnson & Johnson's 154-acre Spring House Innovation Park acquisition, announced in Q1, represents additional longer-term supply potential as planning for a cell therapy manufacturing campus continues.

FIGURE 2: Leasing Activity



Source: CBRE Research, 2026.

FIGURE 3: Active Construction Pipeline



Source: CBRE Research, 2026.

The absence of speculative starts limits near-term supply additions. Occupancy recovery will depend on whether the pipeline of manufacturing requirements and early-stage tenant demand that has begun to re-emerge translates into signed leases over the balance of the year.

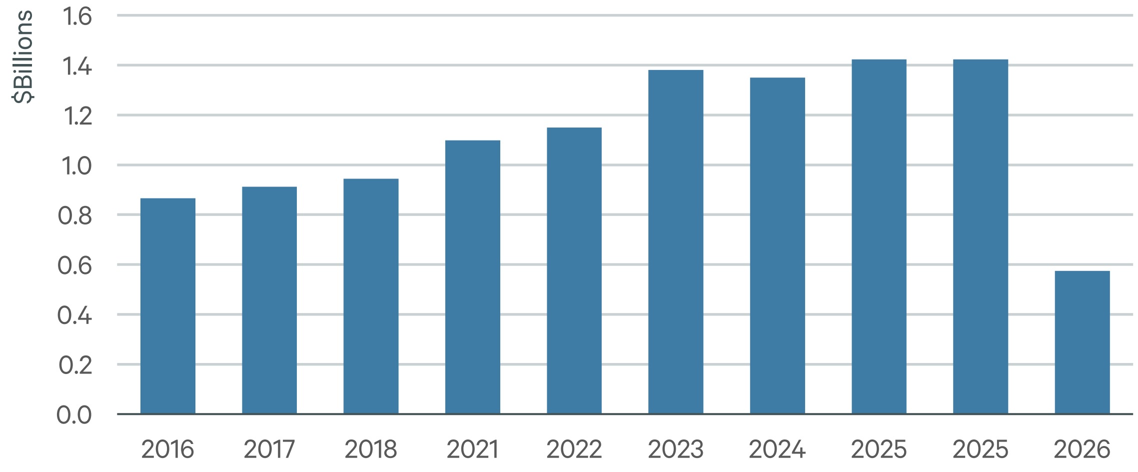
Funding

Capital formation continued to build during the second quarter. Penn and Children's Hospital of Philadelphia spinout companies raised a combined $247 million in new financing, a figure that reflects the ongoing productivity of the region's academic research ecosystem.

Prelude Therapeutics, a Philadelphia-area clinical-stage oncology company, completed a roughly $90 million underwritten equity offering in April, providing capital to advance its precision oncology pipeline. The offering followed the Q1 financing events that had pointed toward improving investor appetite: Alveus Therapeutics' $197 million Series A closing and the formation of the Penn-BioNTech-Osage University Partners venture fund with more than $800 million under management.

These capital events do not represent a uniform recovery across all life sciences financing, but they reflect selective institutional conviction in Philadelphia-area companies and platforms. For real estate, improved capital availability among early-stage companies is a leading indicator of the lab demand that had driven the region's expansion from 2020 to 2022.

FIGURE 4: NIH Funding Awarded in Philadelphia MSA



Source: National Institute of Health.

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	24	2,920,049	19.9	19.9	0	0	0	58.47
Malvern	12	775,786	6.5	6.5	(4,008)	0	0	18.83
Horsham/ Spring House	18	1,048,240	22.0	22.0	(2,432)	0	0	44.58
Exton/ West Chester	10	675,554	5.8	6.3	(10,437)	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	**80**	**6,384,020**	**14.4**	**15.0**	**(16,877)**	**0**	**470,000**	**49.66**
University City	17	3,410,123	37.8	38.7	43,862	0	0	64.02
Navy Yard	10	1,089,238	31.3	31.3	(54,910)	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	**35**	**5,883,460**	**32.5**	**33.0**	**(11,048)**	**0**	**250,000**	**60.04**
Philadelphia Total	**115**	**12,267,480**	**23.1**	**23.6**	**(27,925)**	**0**	**720,000**	**56.68**

Source: CBRE Research, 2026.

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

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HARRISBURG OFFICE

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