



Philadelphia Lab Market: Caution, Concessions, and a Market Reset

Operators race to the bottom, offering flexible terms and favorable rental rates

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KEY TAKEAWAYS

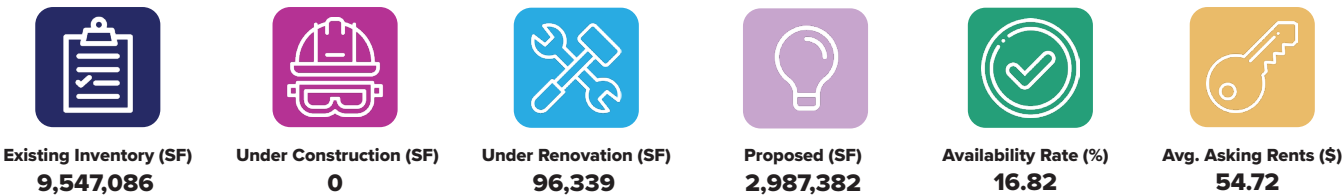
- 1. Landlords are prioritizing occupancy over rental rate**
Landlords are prioritizing occupancy over rent growth using aggressive concessions and flexible terms to subsidize tenants and build a pipeline for future private leases.
- 2. Standalone incubators remain the go-to option**
Rent-a-bench remains the preferred and most flexible option with tenants staying longer as deals are being executed at rates ranging between 10% to 60% below traditional asking rents to sustain occupancy amid a stagnant demand pool.
- 3. Tenants treat long-term commitments as optional rather than essential**
Leasing remains muted as companies hesitate to commit long term despite greater flexibility and reduced rents, opting to remain in their current space despite the relative availability of large blocks of space.
- 4. Significant layoffs will begin to reshape the talent pipeline**
Well-publicized layoffs are reshaping the talent pipeline, raising questions about whether displaced workers will remain in the region or migrate to more active markets.



FORECAST

Philadelphia remains a tenant-friendly market across all blocking sizes as landlords and operators compete for a limited tenant pool. There has been limited activity in the suburbs, while incubator pricing has set a lower benchmark for companies looking to extend their cash runway. Operators managing space in-house, may better weather the downturn, but standalone incubators face elevated pressure to rent benches.

2025 has been defined by softness and concessions, although these conditions are expected to cultivate a pipeline of firms that can stabilize the market in future cycles. Looking ahead, these dynamics may foster a pipeline of firms that graduate into private leases under more sustainable economics. In the long run, the region’s talent pool, affordability, and institutional anchors position Philadelphia to regain momentum once capital flows normalize.



MARKET NARRATIVE

Lab leasing activity in Philadelphia has slowed considerably, creating a highly tenant-favorable environment. Life science and biotech firms are taking a cautious, wait and see approach, favoring short term renewals and delaying expansion plans. An unusually high number of large blocks of lab spaces are already contributing to elevated availability, with more expected as leases expire and sublease offerings continue to grow. Tenants are encouraged to get aggressive on negotiations, whether through early renewal strategies, blend-and-extend opportunities, or exploring alternative options.

Early-to-mid-stage companies benefit from an unprecedented amount of incubator inventory, where committing to longer terms can unlock historically low pricing. For later- and clinical-stage firms, manufacturing space is coming back online in



BioLabs for Advanced Therapeutics, a 30,000-square-foot incubator at the Curtis, is currently under construction and scheduled for completion in Q3 2025. Photo credit: BioLabs




Nucleus RadioPharma, a full-service CDMO, has occupied 48,000 SF at 727 Norristown Road, with additional lab suites under construction. Photo Credit: MRA Group. Beacon Capital. Lab Space – Building 3.

larger chunks, offering expanded choices. At the same time, widespread layoffs have increased the pool of available talent, though questions remain about long-term job growth and retention. Together, these dynamics are driving a flight to quality across both real estate and workforce, creating opportunities for tenants able to act strategically in the current market.

Developers have adjusted accordingly, with no lab projects currently under construction - 2300 Market recently delivered, while 3151 Market and 3201 Cuthbert remain largely vacant and are still working to secure tenants. Several speculative projects have been paused or rephased, while any new construction is increasingly tied to pre-leasing or strategic partnerships. Those projects that remain active are emphasizing flexibility, mixed-use amenities, and proximity to Philadelphia's renowned universities and hospitals to capture tenant interest, reflecting a deliberate pivot away from single use lab assets.

NOTABLE LEASE TRANSACTIONS




Property Address
601 Walnut Street

Submarket
Center City

Tenant Name
Inoex

Square Feet
9,600

Deal Type
Direct New




Property Address
601 Walnut Street

Submarket
Center City

Tenant Name
Ceva

Square Feet
4,500

Deal Type
Direct New



Property Address
2929 Arch Street

Submarket
uCity

Tenant Name
Latus Bio

Square Feet
6,100

Deal Type
Direct New

FUNDING

FORE
Biotherapeutics
Series D
\$38M

XyloCor Therapeutics
Series B
\$67.5M

Dispatch Bio
Series A
\$216M

Orchestra BioMed
IPO
\$40M

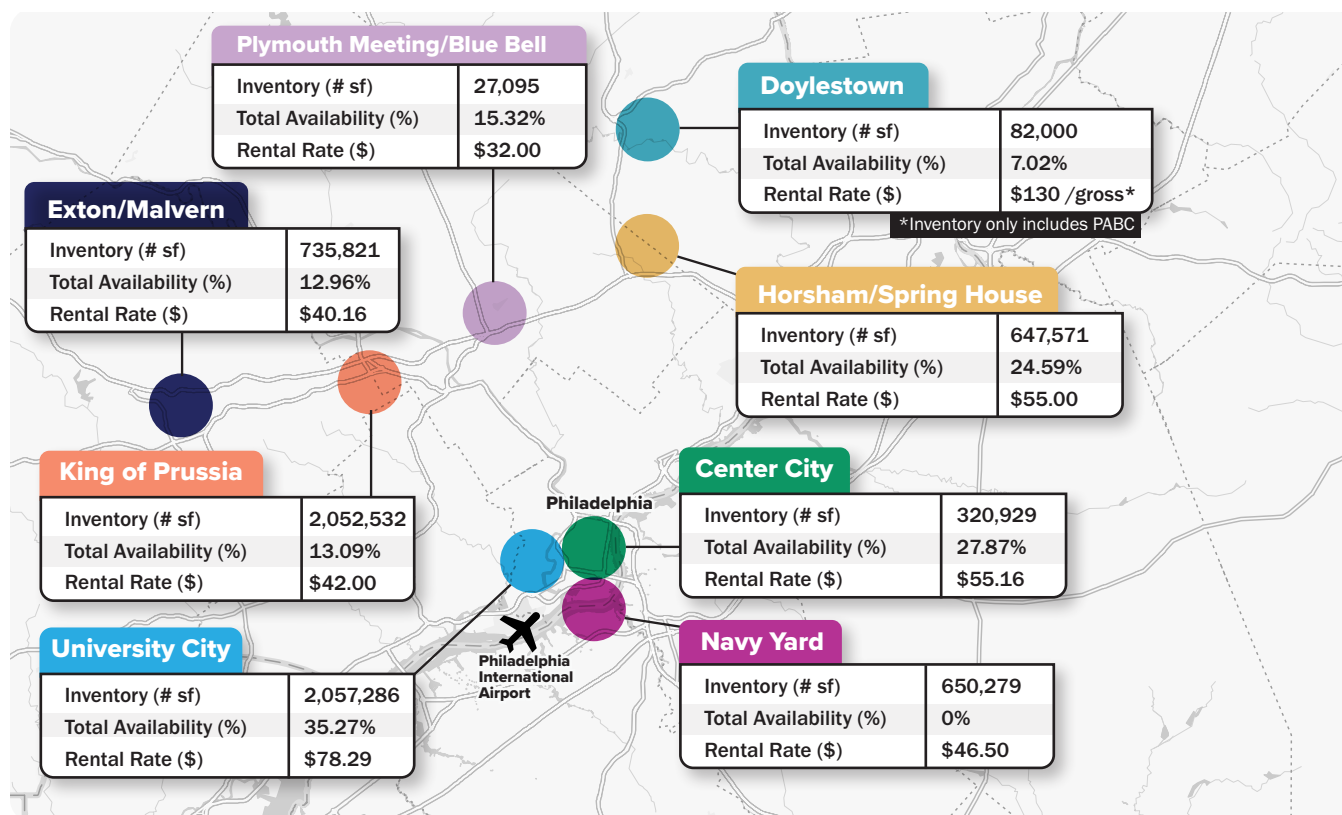


MERGERS & ACQUISITIONS

carisma
THERAPEUTICS
Merger with OrthoCellix,
a subsidiary of Ocugen

Lannett
Acquired by Aurobindo

SUBMARKET MAP



Note: Existing lab inventory. Does not include asking rents for incubator space.

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