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Market Report PA

Momentum, Majors, and a Market in Transition

Record corporate investments signal long-term confidence as near-term market softness persists

By **KJ Kulik,** Senior Vice President & **Devin Zitelman,** Vice President, Science & Technology
Mid-Year 2026

KEY TAKEAWAYS

1. Major investments reshape Philadelphia's life science future

Eli Lilly and Johnson & Johnson have committed a combined $1B+ to new Philadelphia-area facilities, anchoring long-term demand for lab and manufacturing space even as near-term leasing remains muted.

2. Landlords continue to prioritize occupancy over rental rate

Aggressive concessions and flexible terms remain the norm, with deals still being executed at 10%–60% below traditional asking rents as operators compete for a limited tenant pool.

3. Incubator and flex lab space remain the entry point of choice

Rent-a-bench and short-term suites continue to dominate early-stage demand, with companies extending stays rather than graduating to private leases despite historically favorable direct-lease economics.

4. Four landmark announcements signal a pipeline inflection point

Lilly's Gateway Labs hub, Lilly's injectable manufacturing facility, J&J's $1B+ cell therapy plant, and TerraPower Isotopes' $450M world's-largest Ac-225 facility represent a combined multi-billion dollar commitment to Philadelphia; expected to generate substantial downstream real estate demand over the next 3–5 years.

Existing Inventory (SF)	Under Construction (SF)	Under Renovation (SF)	Proposed (SF)	Availability Rate (%)	Avg. Asking Rents ($)
9,723,101	250,000	119,000	2,987,382	20.30	54.63

MARKET NARRATIVE

Lab leasing activity in Philadelphia remains measured entering mid-2026, sustaining the tenant-favorable conditions that have defined the market over the past 18 months. Life science and biotech firms continue to favor short-term renewals and cautious expansion strategies, with an unusually large inventory of available blocks, including growing sublease offerings from large pharma, keeping availability elevated across most submarkets. University City availability has reached 35.27%, reflecting the delivery of new product at 2300 Market and continued vacancy at 3151 Market and 3201 Cuthbert. Tenants with near-term requirements are well-positioned to extract significant concessions, whether through early renewal strategies, blend-and-extend structures, or competitive relocation bids.

Against this backdrop of near-term softness, a new chapter is being written by marquee corporate commitments that signal enduring confidence in Philadelphia's life science ecosystem. Eli Lilly has announced two landmark investments: a Lilly Gateway Labs open innovation hub in Philadelphia and a new large-scale injectable medicine manufacturing facility in Pennsylvania, part of Lilly's $23B U.S. manufacturing expansion. Most recently, TerraPower Isotopes broke ground on a $450M, 250,000 SF actinium-225 manufacturing facility in the Bellwether District, the world's largest of its kind, selected from over 350 candidate sites nationwide. Together, these commitments represent a multi-billion dollar vote of confidence in the region's talent base, institutional anchors, and infrastructure.

Early-to-mid-stage companies continue to benefit from an unprecedented volume of incubator inventory, where committing to longer terms can unlock historically low pricing. For clinical and commercial-stage firms, GMP manufacturing capacity, including newly activated suites at Spring House Innovation Park, is increasingly accessible. The talent pool has been augmented by high-profile layoffs across the sector, creating a larger-than-usual pipeline of experienced scientists available for hire. In the long run, Philadelphia's combination of institutional anchors, affordability relative to Boston and San Francisco, and now a deepening base of big-pharma manufacturing investment positions the region to emerge from the current correction with a strengthened foundation.

The Gateway Labs model is already bearing fruit. Gemma Biotherapeutics has signed a direct new lease for 9,000 SF at 2300 Market Street, one of the first tenants to commit to the Lilly Gateway Labs node at that address. The deal is significant not just for its size, but for what it signals: 2300 Market, which recently delivered into a soft market, is now attracting tenants drawn by the Lilly innovation partnership platform rather than rent economics alone. This is precisely the demand dynamic the market has needed, anchor-driven leasing that can absorb new supply and begin to normalize University City vacancy. If additional Gateway Labs tenants follow, 2300 Market has the potential to become a catalyst building for the broader uCity recovery.

2300 Market, which recently delivered into a soft market, is now attracting tenants drawn by the Lilly innovation partnership platform rather than rent economics alone.

MAJOR ANNOUNCEMENTS

Open Innovation

Eli Lilly opens Gateway Labs innovation hub in Philadelphia

Eli Lilly announced plans to open a Lilly Gateway Labs site in Philadelphia, part of Lilly's national network of open innovation hubs that provide emerging biotech companies with lab space, mentorship, and direct access to Lilly's scientific and business development teams. The Philadelphia site, located in the University City innovation corridor, connects Lilly directly to one of the nation's leading concentrations of academic medical talent at Penn, CHOP, Jefferson, and Drexel. Gateway Labs tenants gain access to state-of-the-art facilities alongside a pathway to potential Lilly partnerships, licensing, and investment, a significant demand catalyst for the early-stage ecosystem.

Type
Open Innovation Hub

Location
University City, Philadelphia

Manufacturing

Lilly selects Pennsylvania for new injectable medicine manufacturing facility

As part of Lilly's historic $23B U.S. manufacturing investment program, the company selected Pennsylvania as the home for a new large-scale injectable medicine manufacturing facility. The facility will produce some of Lilly's highest-demand medicines and is expected to represent one of the most significant biopharma manufacturing capital investments in Pennsylvania's history. The decision reinforces the state's competitive position for advanced manufacturing, driven by its workforce, infrastructure, and proximity to Lilly's existing East Coast research network. The facility is expected to create hundreds of high-wage permanent manufacturing jobs.

Investment
Part of $23B U.S. program

Location
Allentown, Pennsylvania*

Eli Lilly selected Pennsylvania for a major injectable medicine manufacturing facility, reinforcing the state's position as a leading hub for advanced biopharmaceutical manufacturing.(Eli Lilly)

*Edited from the previous report released on July 21, 2026.

Nuclear Medicine Manufacturing

TerraPower Isotopes breaks ground on world's largest Ac-225 manufacturing facility in Philadelphia

TerraPower Isotopes (TPI) broke ground on May 6, 2026, on its flagship Bellwether Laboratory, a 250,000 SF current Good Manufacturing Practices (cGMP) actinium-225 (Ac-225) manufacturing facility located in the Bellwether District of Philadelphia. The $450M facility, developed with HRP Group, will increase global Ac-225 production capacity twentyfold, directly addressing a critical supply bottleneck that has constrained the advancement of targeted alpha therapies (TAT) for cancer treatment worldwide. TPI selected Philadelphia following a nationwide evaluation of more than 350 potential locations across 49 site visits in eight metro areas, citing the city's pharmaceutical footprint, academic institutions, healthcare leadership, and state support including a $10M Pennsylvania DCED grant. The facility is projected to create 225 permanent full-time jobs and approximately 500 construction jobs in Philadelphia.

Investment
Open Innovation Hub

Location
University City, Philadelphia

TerraPower Isotopes

TerraPower Isotopes broke ground on a $450 million, 250,000 SF actinium-225 manufacturing facility in the Bellwether District. Photo: Getty Images

FORECAST

Philadelphia remains a tenant-favorable market across all block sizes, though the character of that favorability is beginning to bifurcate. Core University City product commands a premium driven by proximity to anchor institutions and the new wave of corporate innovation hubs, while suburban and value-tier submarkets face continued concession pressure as large sublease blocks, particularly from GSK and Merck campuses, compete with direct inventory. No lab projects are currently under construction; 3151 Market and 3201 Cuthbert remain the primary large-block direct opportunities in University City.

The Lilly, J&J, and TerraPower Isotopes announcements are collectively transformative for the long-term outlook. TerraPower's selection of Philadelphia over 350+ competing sites, citing pharmaceutical infrastructure, academic talent, and state support, validates the region's competitive positioning at a moment when near-term metrics suggest softness. Each anchor investment creates a hub-and-spoke demand effect: CROs, CDMOs, specialty isotope handlers, radiopharmaceutical suppliers, and spinout companies will seek proximate real estate. The Bellwether District in particular is an emerging node to watch.

Gemma Biotherapeutics' new lease at 2300 Market Street, one of the first commitments to the Lilly Gateway Labs node, demonstrates that the innovation hub model can generate real leasing traction even in a cautious market. Developers and

landlords who can position assets near these new anchors, through conversion, renovation, or flexible-suite programming, will be best placed to capture the next leasing cycle. Tenants currently in incubator space approaching clinical milestones should begin planning private-lease strategies now, before tightening conditions reduce their negotiating leverage.

NOTABLE LEASE TRANSACTIONS

Property Address
3144 W. Passyunk Ave

Submarket
Philadelphia

Tenant Name
TerraPower Isotopes

Square Feet
250,000

Deal Type
Direct New

Property Address
2300 Market St

Submarket
University City

Tenant Name
Gemma Biotherapeutics

Square Feet
9,000

Deal Type
Direct New

Property Address
18 Spring Mill Dr

Submarket
Malvern

Tenant Name
BioPharmaSpec Inc.

Square Feet
11,420

Deal Type
Direct New

FUNDING

Alveus Therapeutics

Series A · Feb 2026
$197M

Backed by Philadelphia's New Rhein Healthcare Investors; advancing next-generation obesity & metabolic disorder therapies.

Cabaletta Bio™

Public Offering · May 2026
$150M

Center City-based; targeted cell therapies for autoimmune diseases (NASDAQ: CABA).

CENTURY THERAPEUTICS

Private Placement · Jan 2026
$197M

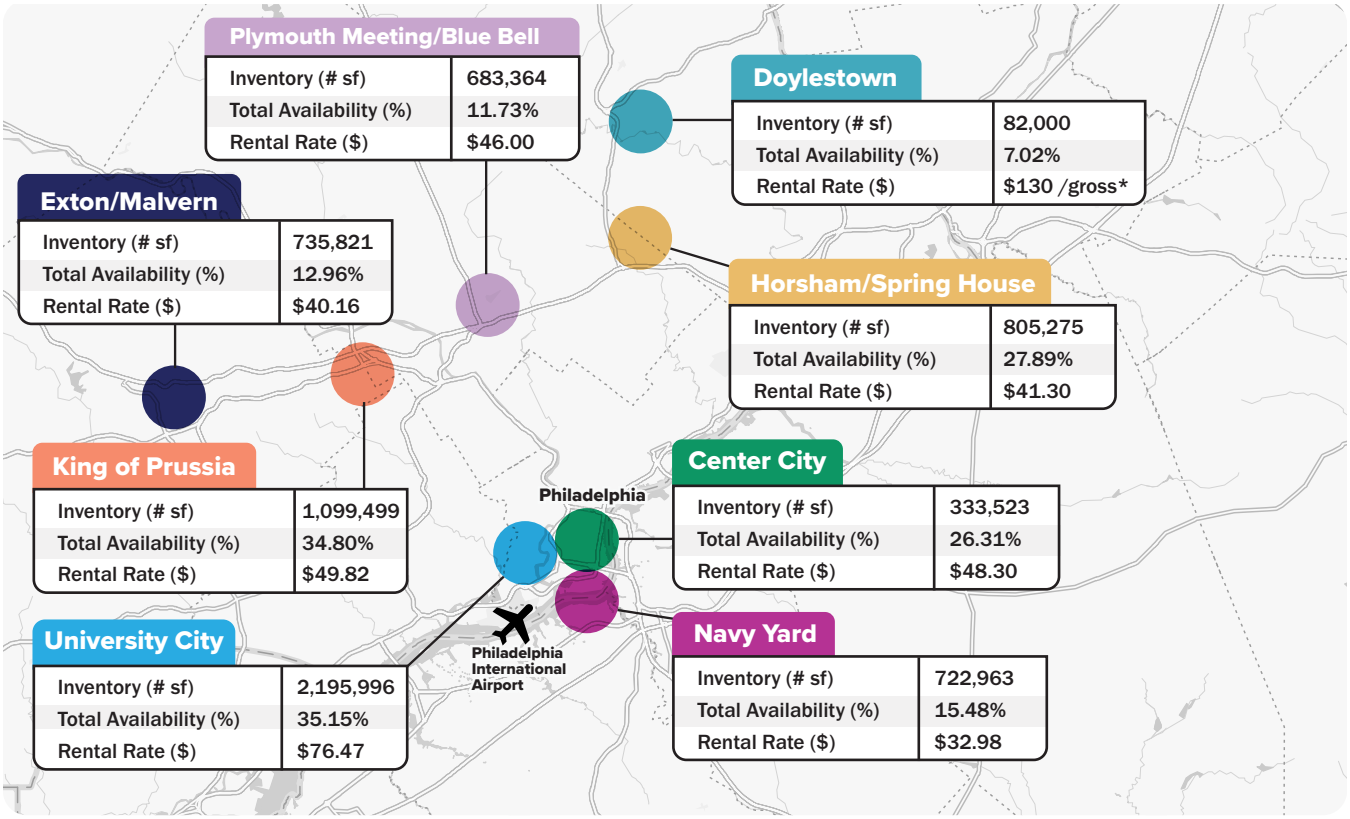
Oversubscribed raise; funding iPSC-derived therapies incl. experimental Type 1 diabetes program (NASDAQ: IPSC).

NOTABLE INITIATIVE

Penn · BIONTECH · OSAGE UNIVERSITY PARTNERS

$50M life sciences fund launched Jan 2026 to back Penn-incubated biomedical startups.

SUBMARKET MAP



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