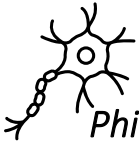




Date: Q4 2022



Philly's bioscience sector driving shift in traditional office space...

Philadelphia has cultivated a concentration of talented scientists, deep-pocketed funders and collaborative lab space which has put the City squarely on the map as a destination location for science innovators from around the world. The center of this flurry of life sciences real estate is University City due to its proximity to universities and academic medical hubs like Drexel and Penn. However, the rapid growth of this sector is outpacing the real estate supply in the UCity market which has spurred large scale conversion of traditional office space to lab/biomed. It is not cheap. Significant landlord capital investment is required... 15' clear ceiling heights (typical is 9'), enhanced HVAC systems and fresh air intakes, new piping for supply and exhaust, dual-feed electrical capabilities, emergency generators, chilled water systems and increased load capacity for heavy equipment. Conversion period is 8-12 months.

Philly ranked **8th** nationally for leading life sciences hubs

Significant landlord capital investment = skyrocketing rental rates for office product that was previously considered Class B+ / A-. To date 400,000sf of office space is under bioscience conversion.

OFFICE SPACE CONVERSIONS TO BIOMED



CIRA CENTRE

100,000 sf



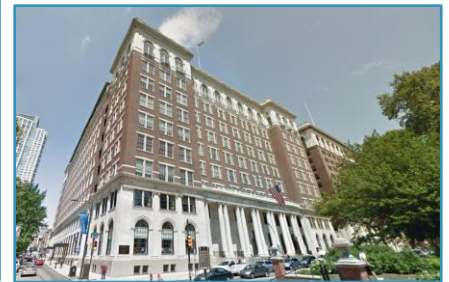
ONE SOUTH BROAD ST

110,000 sf



833 CHESTNUT

85,000 sf

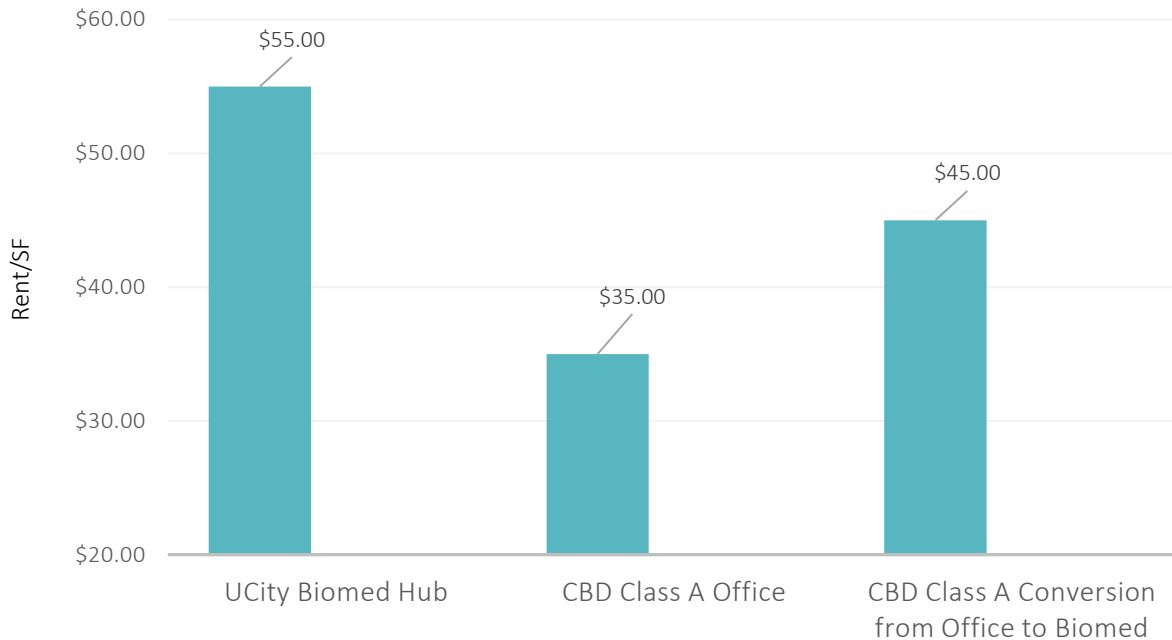


THE CURTIS CENTER

90,000 sf



RENTAL RATE COMPARISON



MSRA PERSPECTIVE: The biomed explosion has created a fascinating buzz in the CBD and particularly in UCity. Well capitalized landlords such as Brandywine Realty Trust, Healthpeak Properties and Wexford Science + Technology have significant stakes in the ground to bring new state-of-the-art lab product to the market as early as Summer 2023. That's upwards of 3 million square feet, which will increase the size of this submarket by almost 50%! But still not enough...

Demand is strong, its real and its now. To accommodate that demand we are seeing landlords in the CBD shifting to a new paradigm partially created by the Covid pandemic. By converting their dormant, second generation office space to R&D lab space landlords are betting on high demand, higher rents and increased energy around their properties to strategically position their assets and welcome new tenants to their site. Much like Comcast, this boost to the City's life sciences artillery will become a magnet for a host of satellite companies to view Philadelphia as the place to be...live work and play.

What does this do to our CBD inventory? At approx. 500,000 square feet among all properties, it reduces our vacancy by 10%. Just like that! And makes our overall market stronger...for tenants, landlords and residents. A healthy office market drives jobs, jobs drive tax revenues, additional revenues that will assist the City in addressing the significant deficit it now faces. Revenue for all aspects of improving the quality of life in the city...from safety, to cleanliness, to infrastructure to amenities. Win-Win as they say!