

New Hahnemann landlord aims to keep Drexel labs in Philly, as school eyes move to former GSK site in Montgomery County

The suburban facility is coming into play as Philadelphia's universities and other medical institutions come up against a dearth of available lab space in the city.



Drexel University could move its medical school labs to Montgomery County when its lease expires at the New College Building on the Hahnemann University Hospital campus expires in 2022. TIM TAI / Staff Photographer

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Published

Mar 9, 2021

Investment group Iron Stone Real Estate Partners has a deal to buy a section of the former Hahnemann University Hospital campus on North Broad Street that's partly occupied by Drexel University's medical labs.

But Drexel may not be sticking around for long: It is in talks to move those researchers to GlaxoSmithKline's [former pharmaceutical plant](#) in Montgomery County.

Drexel is considering leasing about 300,000 square feet at the Upper Merion site to consolidate medical researchers now spread between the New College Building at 15th and Vine Streets on the former Hahnemann property and at its Queen Lane Campus in East Falls, said Alan Greenberger, Drexel's newly appointed vice president of real estate and facilities.

Although Drexel's "long-term" aim is to locate those labs near the school's main campus in University City, there is no such space in the pipeline for delivery before its Hahnemann campus lease expires in mid-2022, said Greenberger, previously a city economic development official under then-Mayor Michael Nutter.

Separately, the University of Pennsylvania is said to be exploring a deal to lease space at the former GSK plant that includes an animal-research lab previously used by the drugmaker.

The suburban facility is coming into play as Philadelphia's universities and other medical institutions come up against a dearth of available lab space in the city for life-science research, which has been a bright spot for the regional economy, said Joseph Fetterman, who leads the life-sciences practice at commercial real estate firm Colliers International.

Lab users "are working hard to find the right solution that aligns timing with the specialized nature of their needs," Fetterman said. "There aren't that many places to go."

What once was the Hahnemann campus [sprawls over nearly six acres](#), centered on Broad Street along the Vine Street Expressway, comprising seven medical buildings, a parking garage, and surface lots.

Iron Stone is under contract to buy the campus' New College Building and other properties comprising about 800,000 square feet currently owned by Harrison Street Real Estate Capital of Chicago, said Jason Friedland, an Iron Stone partner.

The deal does not include the attached main hospital tower at Broad and Vine Streets or other properties owned by [California-based investment banker Joel Freedman](#), who teamed with Harrison Street to buy Hahnemann and St. Christopher's Hospital for Children near Kensington in 2018.

When Harrison Street and Freedman acquired the hospital properties, they set up the deal so that a separate Freedman-backed company called Philadelphia Academic Health System would lease most of that space as the operator of Hahnemann and St. Christopher's.

Because of that arrangement, Harrison Street and Freedman's group were able to retain ownership of the hospitals' real estate when Philadelphia Academic [filed for bankruptcy protection](#) in June 2019.

Iron Stone bought St. Christopher's and surrounding properties from Harrison Street and Freedman affiliates for \$65.3 million in February 2020 so it could lease the hospital building to Drexel and Tower Health, which took over from Hahnemann as Drexel's hospital partner after the Hahnemann bankruptcy.

At the Hahnemann campus on North Broad Street, meanwhile, Drexel remained a tenant of the medical labs in the New College Building after the bankruptcy left much of the rest of the campus vacant.

Jason Friedland, an Iron Stone partner, said his company agreed to buy that building and other Harrison Street-owned properties under the premise that Drexel would opt to have a new lab facility built for itself in University City within the next few years.

In that case, Iron Stone would aim for a deal with Drexel to renovate its existing lab space at the New College Building to tide over the university until its new facility is completed, Friedland said.

“There are other paths if they say ‘No,’ but we are going to try our best to provide them with something that helps them stay in the city,” he said. “We’ve literally said to them: ‘Just tell us what you need.’”

Greenberger said Drexel has multiple locations under consideration, but the only one he would discuss was the former GSK site at 411 Swedeland Rd. in King of Prussia.

Drexel [has struck](#) past [development agreements](#) with Wexford Science & Technology LLC and Brandywine Realty Trust. Both are building large office and lab complexes within blocks of the school’s main campus.

Greenberger declined to comment on whether Drexel was in talks with either developer about lab space for the university being included in their University City projects — uCity Square for Wexford and Schuylkill Yards for Brandywine.

A Wexford official declined to comment on Drexel’s lab plan. Brandywine did not respond to a message.

“A new building takes a bit of time to design and build, and we have leases that are expiring next year,” Greenberger said. “One way or another, we have to do something.”

If Drexel does move its labs to the former GSK space, it would be a boon to owner J. Brian O’Neill, a Main Line developer who has been promoting the property as part of a planned network of lab and office buildings occupied by life-science tenants.

The other components of what he has dubbed Discovery Labs consist of the Philadelphia Inquirer’s [former Schuylkill Printing Plant](#) and office-park buildings that O’Neill’s business bought from Liberty Property Trust. Currently, the only known tenants at the 972,000-square-foot GSK building are the drugmaker itself, which remained at the site as a lessee, and Wuxi Biologics, a Shanghai-area-based biotechnology company. Together, the two occupy 120,000 square feet of the complex.

Penn is also in discussions to lease the animal-research lab — a “vivarium” — at the building that had been left behind by GSK when it sold the property, according to a person familiar with that university’s plans. The school has an immediate need for such a facility that the GSK site may be able to fulfill, the person said.

A Penn spokesperson did not respond to a message. O’Neill, who is also founder of the substance-abuse chain Recovery Centers of America, declined to comment on discussions with Drexel and Penn.

Published
March 9, 2021



I cover commercial real estate, economic development, and other financial news topics, with a focus on data and accountability.