1Q25

St. Louis Office Market Overview

Market Observations

Economy

- The region's labor market weakened as macroeconomic conditions shifted. February's unemployment rate reached 4.4%, 30 basis points above the 10-year historical average of 4.1%.
- Year-over-year, job growth was strongest in the Other Services sector, followed by Education and Health. Information and Leisure and Hospitality posted the largest job losses over the past 12 months.
- Professional business and technology firms are reassessing their workforce needs, with local employment declining in two of the three office-occupying sectors compared to the prior year.

Leasing Market Fundamentals

- The market tightened during the quarter with 120,441 SF of net absorption, bringing the four-quarter total to 531,811 SF. This marks three consecutive quarters of positive absorption, as tenants continue to capitalize on favorable conditions. The Clayton and West County submarkets registered 317,143 SF and 313,271 SF of net absorption, respectively, over the past year.
- The non-owner-occupied construction pipeline has remained inactive since the third quarter of 2022, with just 53,700 SF currently under construction.
- Vacancy declined 10 basis points to 12.9% during the quarter and is expected to remain stable in 2025 as the market recalibrates. Year-over-year, asking rental rates held steady, dropping by $0.01 to $22.76/SF.

Major Transactions

- Caleres will relocate into two separate office towers in the Clayton submarket, occupying 100,200 SF at Regions Centre and 40,490 SF at the Energizer Building, with a move-in anticipated by June 2026.
- Coworking provider TechArtista will open its fourth location in the market at the forthcoming $1.2 billion Gateway South development in Downtown, leasing 40,000 SF with occupancy scheduled for the second quarter of 2027.
- UnitedHealthcare will downsize by 150,800 SF, renewing its lease for only 37,700 SF in Maryland Heights. The firm cited continued remote and hybrid work strategies as the primary factor in the decision.
- Avatara has committed to lease 23,190 SF at the Cupples 9 building in Downtown.

Outlook

- Macroeconomic uncertainty continues to influence market dynamics, prompting occupiers and investors to approach transactions with greater caution—likely impacting both leasing and investment activity. Vacancy is expected to hold steady near 13.0% as tenants capitalize on favorable conditions.
- Hybrid work strategies remain a key driver of market shifts. Tenants are expected to maintain strong leverage in lease negotiations, supported by a broad selection of available space. At the same time, the conversion of office properties to alternative uses will help reduce obsolete inventory and limit additional vacancy increases.
- Rental rates are anticipated to ease in the coming quarters, as liquidity constraints lead some landlords to lower rents rather than increase concession packages.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Statistics

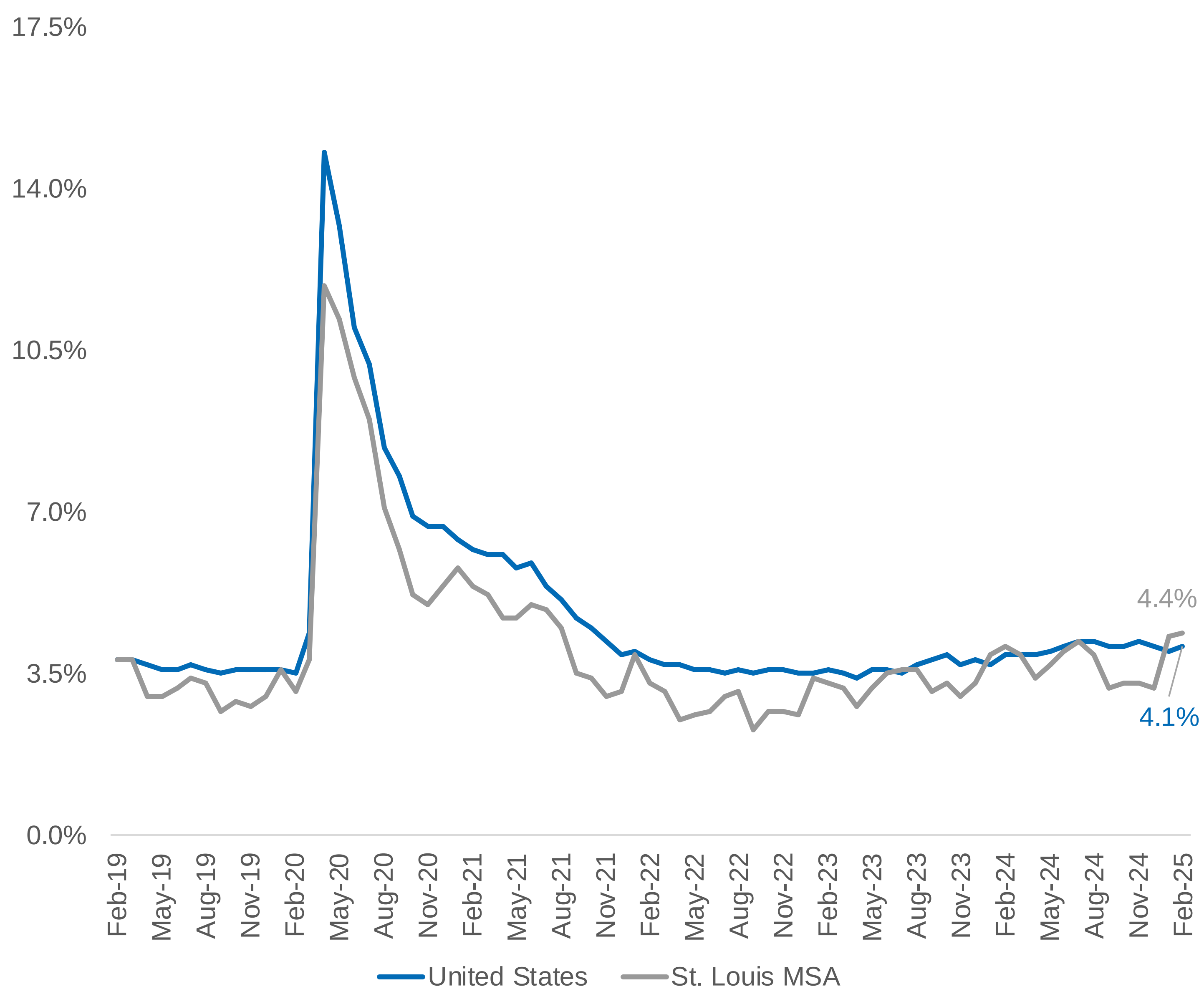
1Q25

Economy

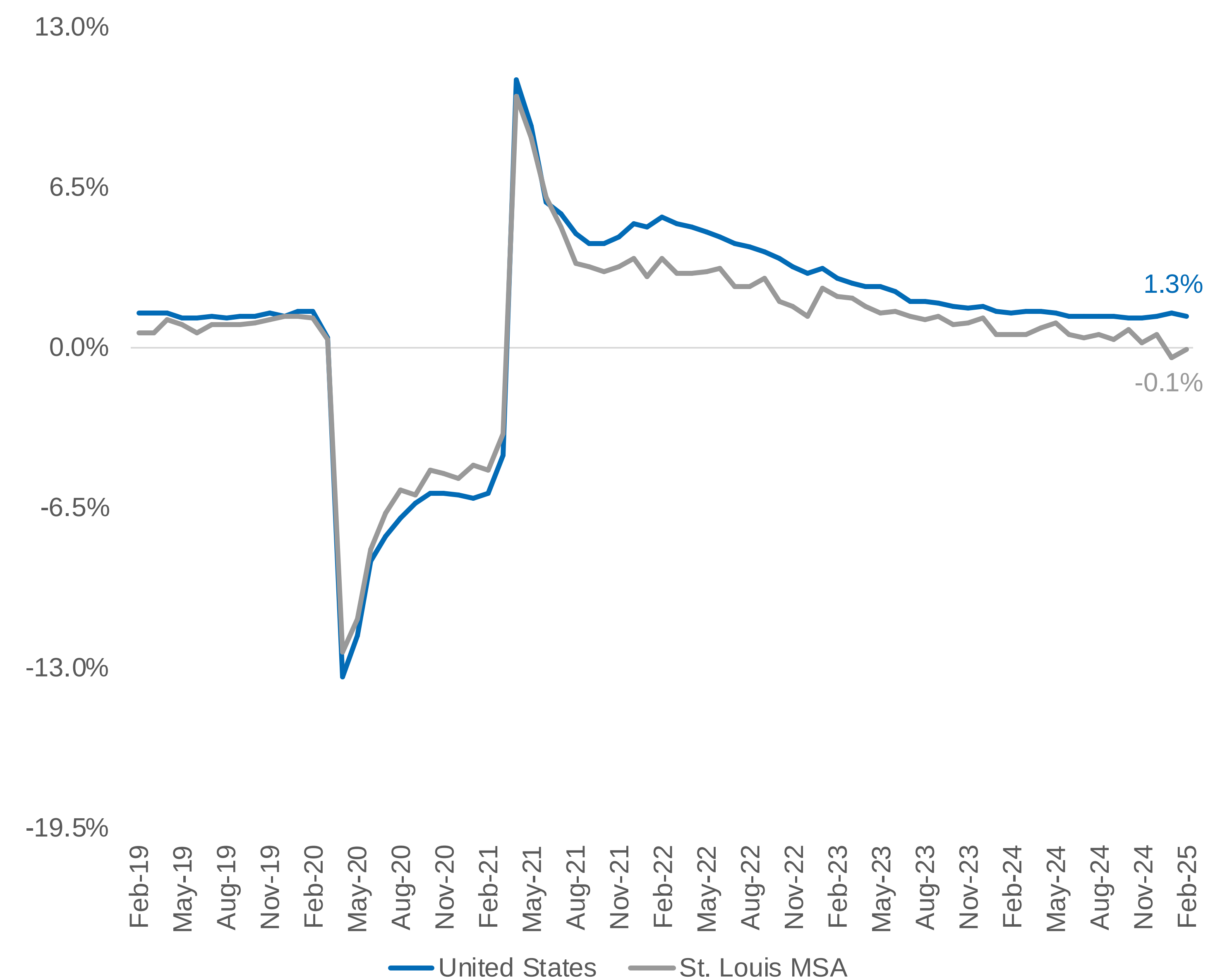
Metro Employment Trends Signal Weakening Economy

The St. Louis region's labor market softened as unemployment rose 110 basis points from the previous quarter. The regional unemployment rate now stands 30 basis points above the national average, indicating a pullback in economic resilience.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

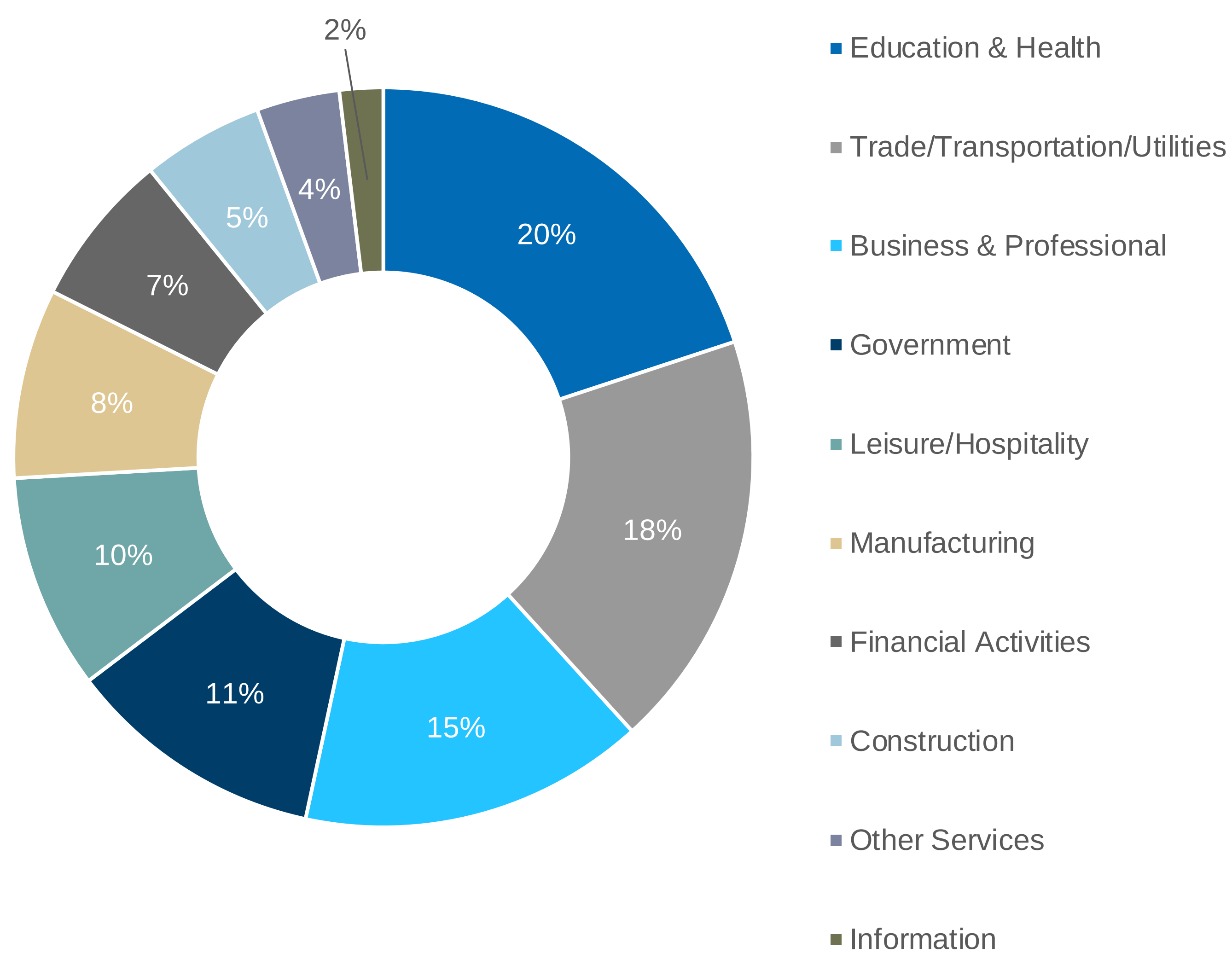


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

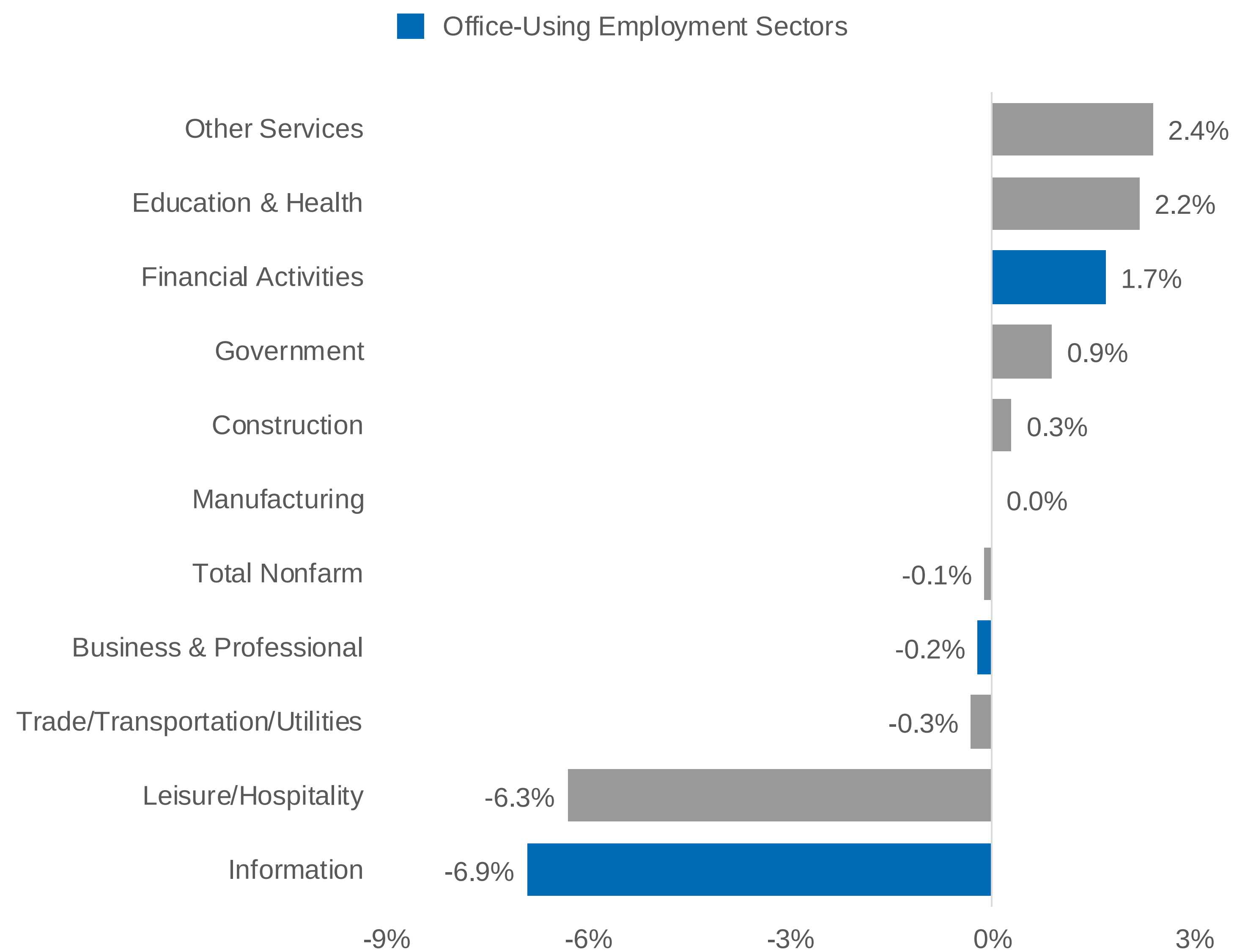
Information and Leisure/Hospitality Sectors Lead Job Losses

The Other Services sector led regional annual job growth, followed by Education & Health. The Leisure/Hospitality and Information sectors posted the largest job losses, with declines of 6.3% and 6.9%, respectively. Of the three office-occupying industries, only Financial Activities reported annual job gains.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

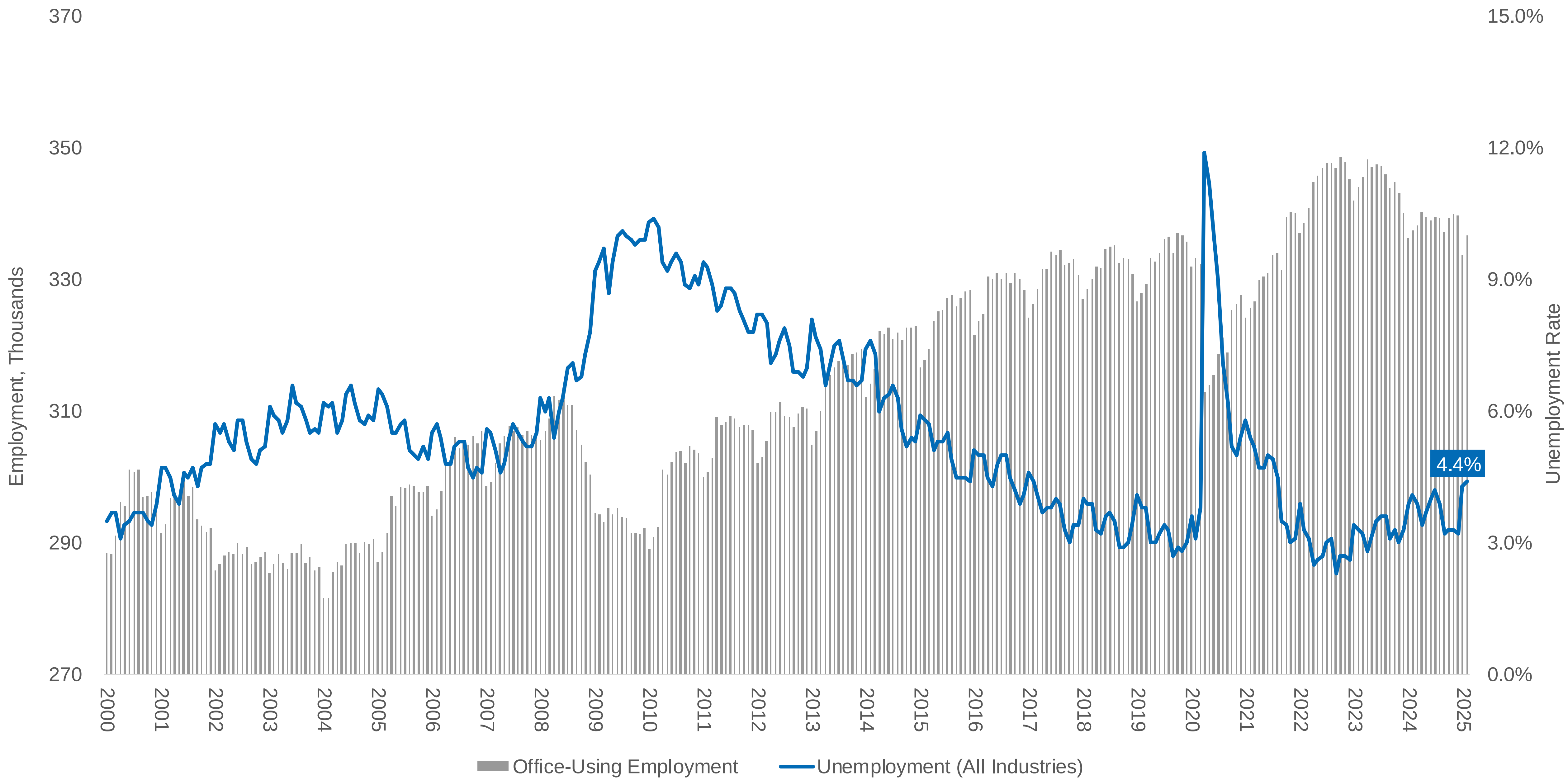


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

Overall Office Employment Rebounds

Office employment has recovered from its pandemic low but has trended downward since April 2023, now aligning with levels last seen in July 2019. While a slight seasonal dip is typical early in the year, the region is expected to remain flat or experience a modest decline through 2025.

Office-Using Employment* and Unemployment Across All Industries

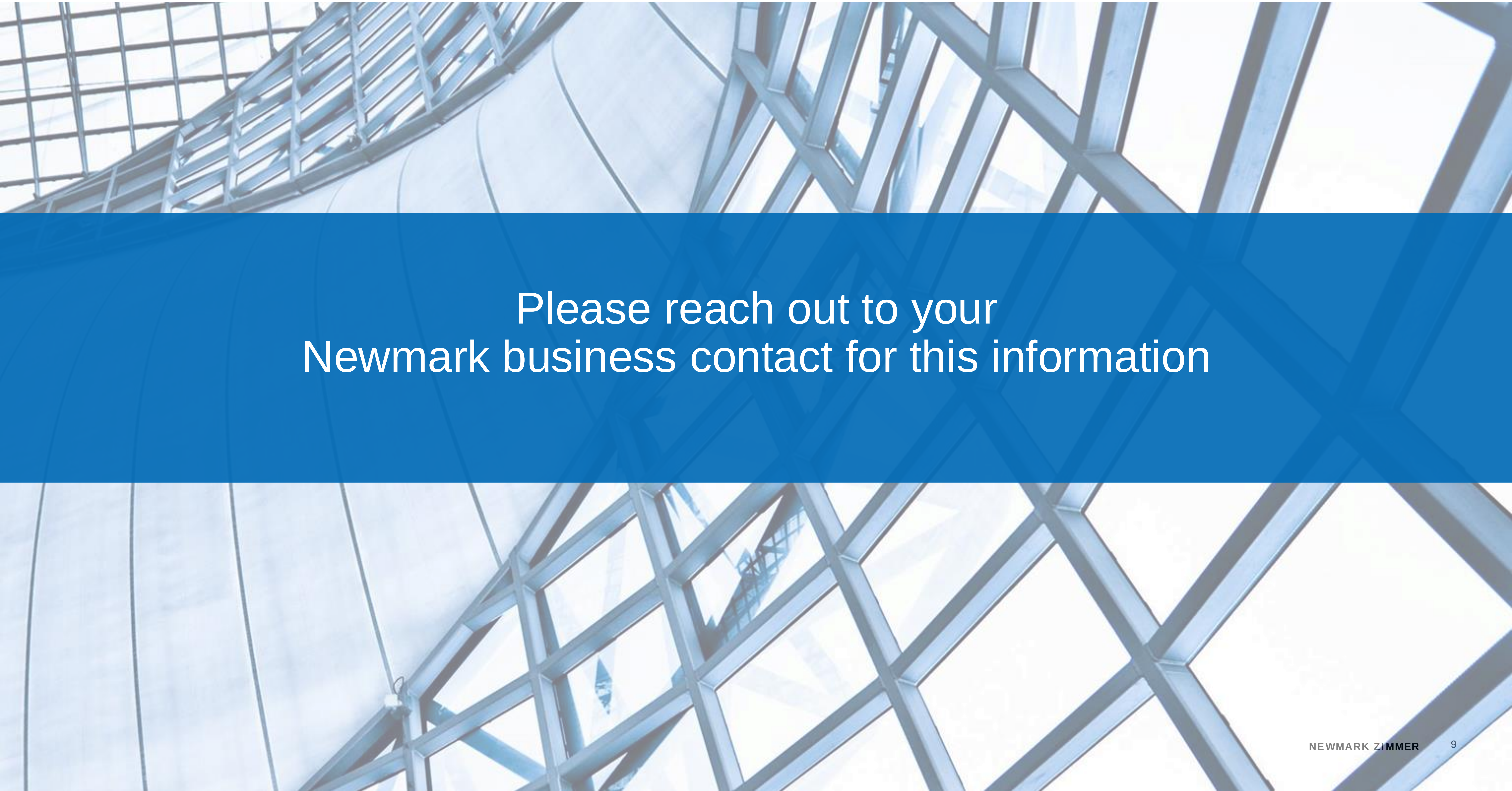


Source: U.S. Bureau of Labor Statistics, St. Louis MSA
Note: February 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

1Q25

Leasing Market Fundamentals

Market Overview



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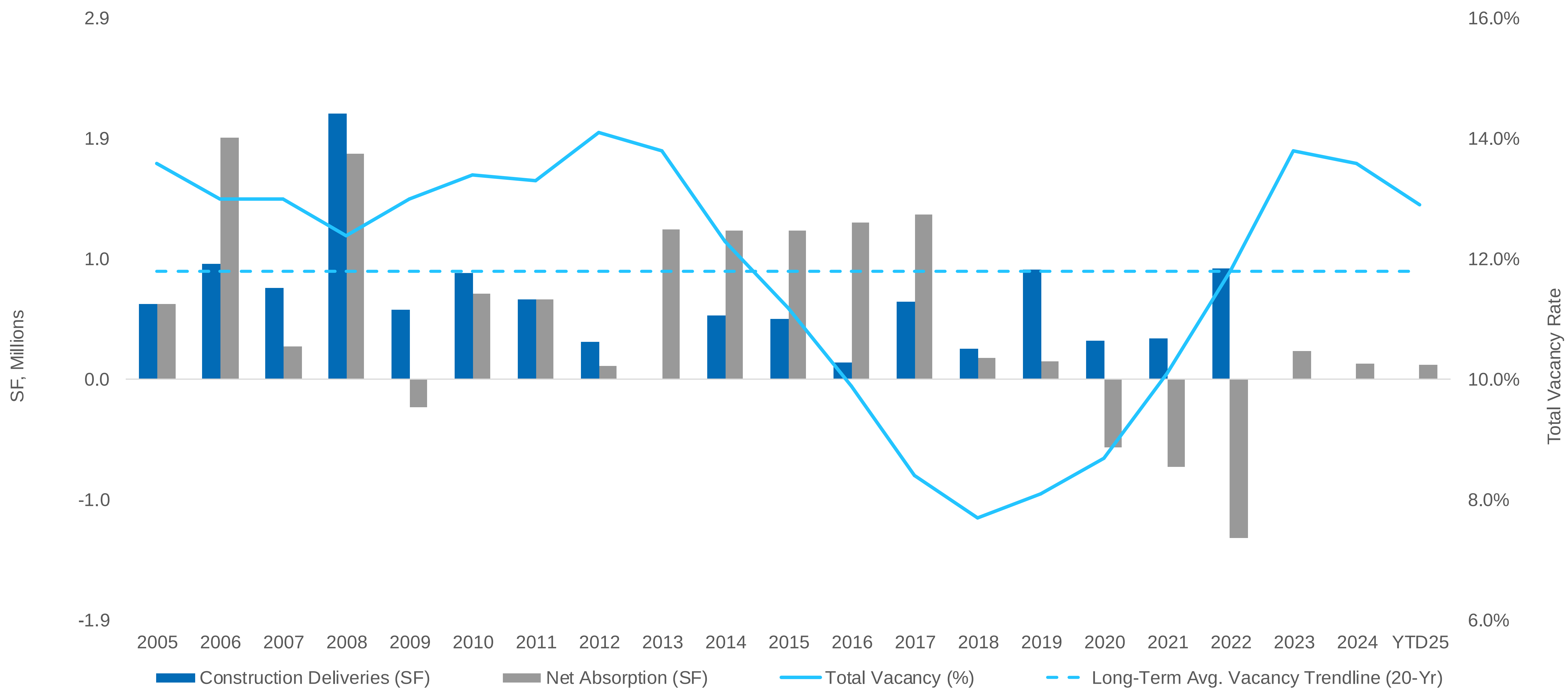
Vacancy Stabilizing As Market Recalibrates

Vacancy decreased 70 basis points year over year to 12.9% as tenants adopted hybrid work models and reassessed space needs. Ongoing office conversions to multifamily, hospitality and retail uses, along with limited new deliveries, are expected to further reduce vacancy in 2025. Tenants are expected to retain leverage across most Metro submarkets, prompting landlords to offer more competitive deal terms. New office development remains largely limited to build-to-suit and owner-occupied projects.

Historical Construction Deliveries, Net Absorption, and Vacancy

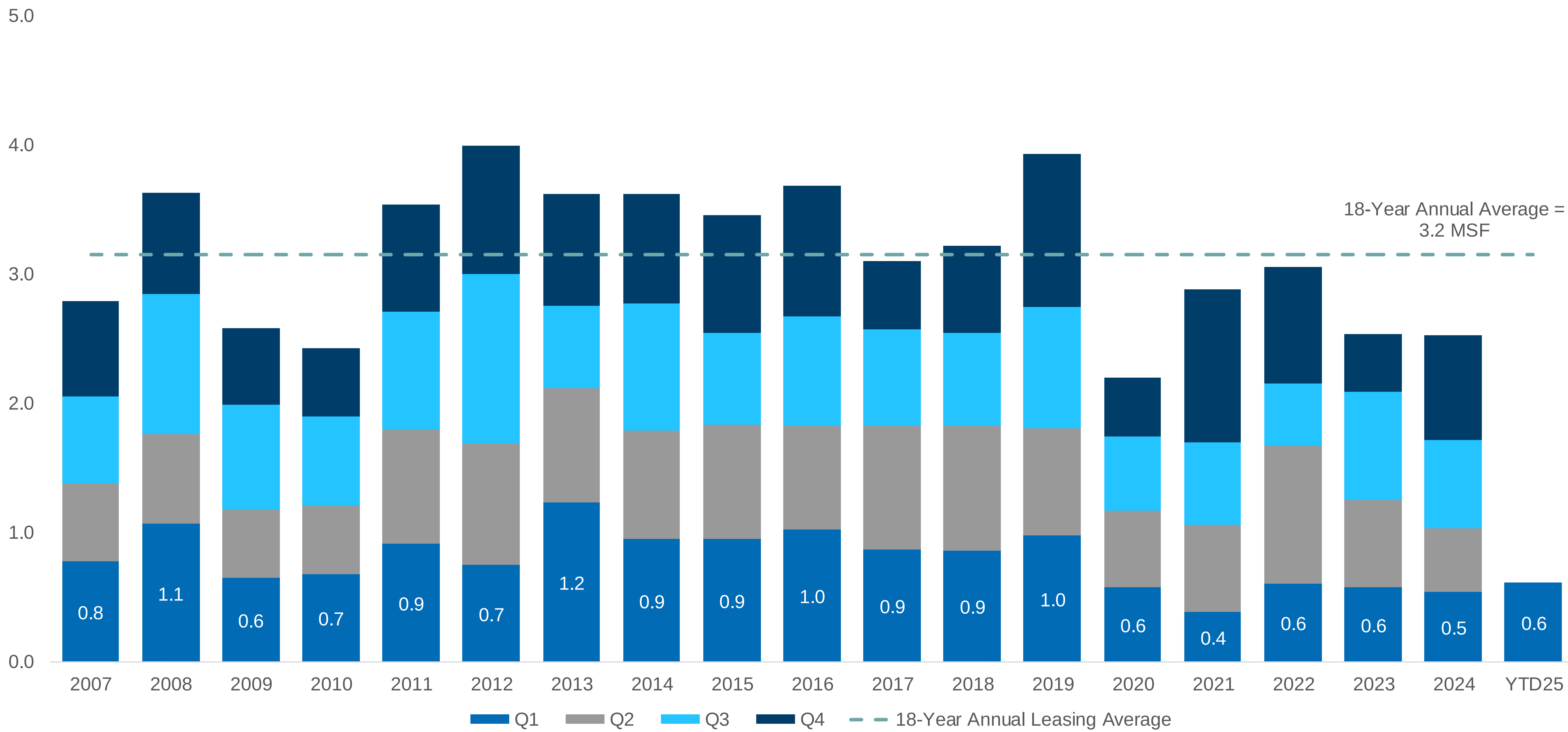


Source: Newmark Research

Leasing Activity Remains Muted Across Metro

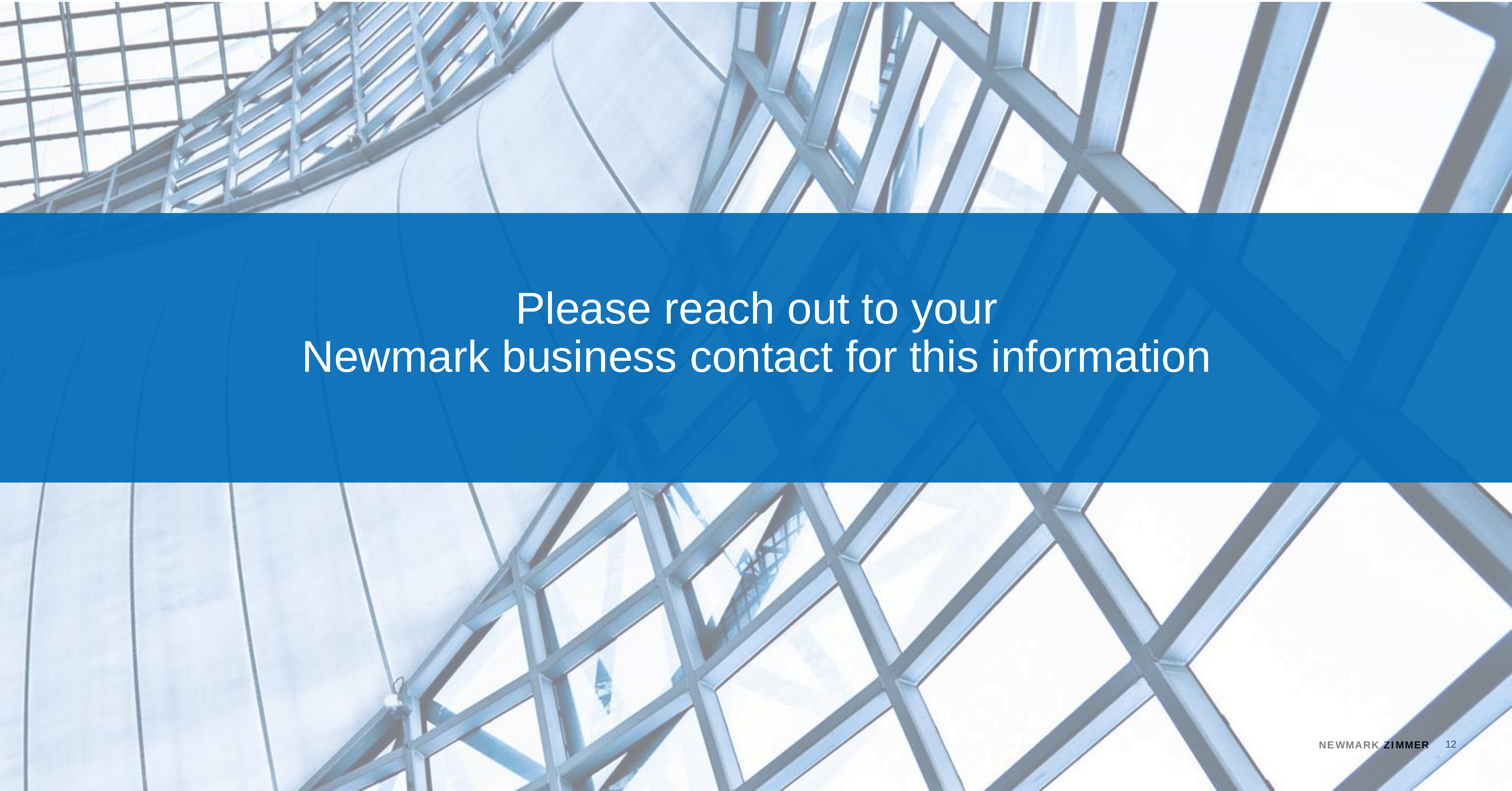
Leasing activity in the first quarter of 2025 totaled 611,161 SF, a 14.0% increase compared to the first-quarter average from 2020 to 2024. However, over the past four quarters, activity remained 27.6% below the 18-year average. Reduced office demand driven by corporate consolidation and downsizing, along with macroeconomic uncertainty and tighter debt financing, is expected to influence the near and midterm outlook.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Macroeconomic Uncertainty and Financing Challenges Reduce Leasing Volume



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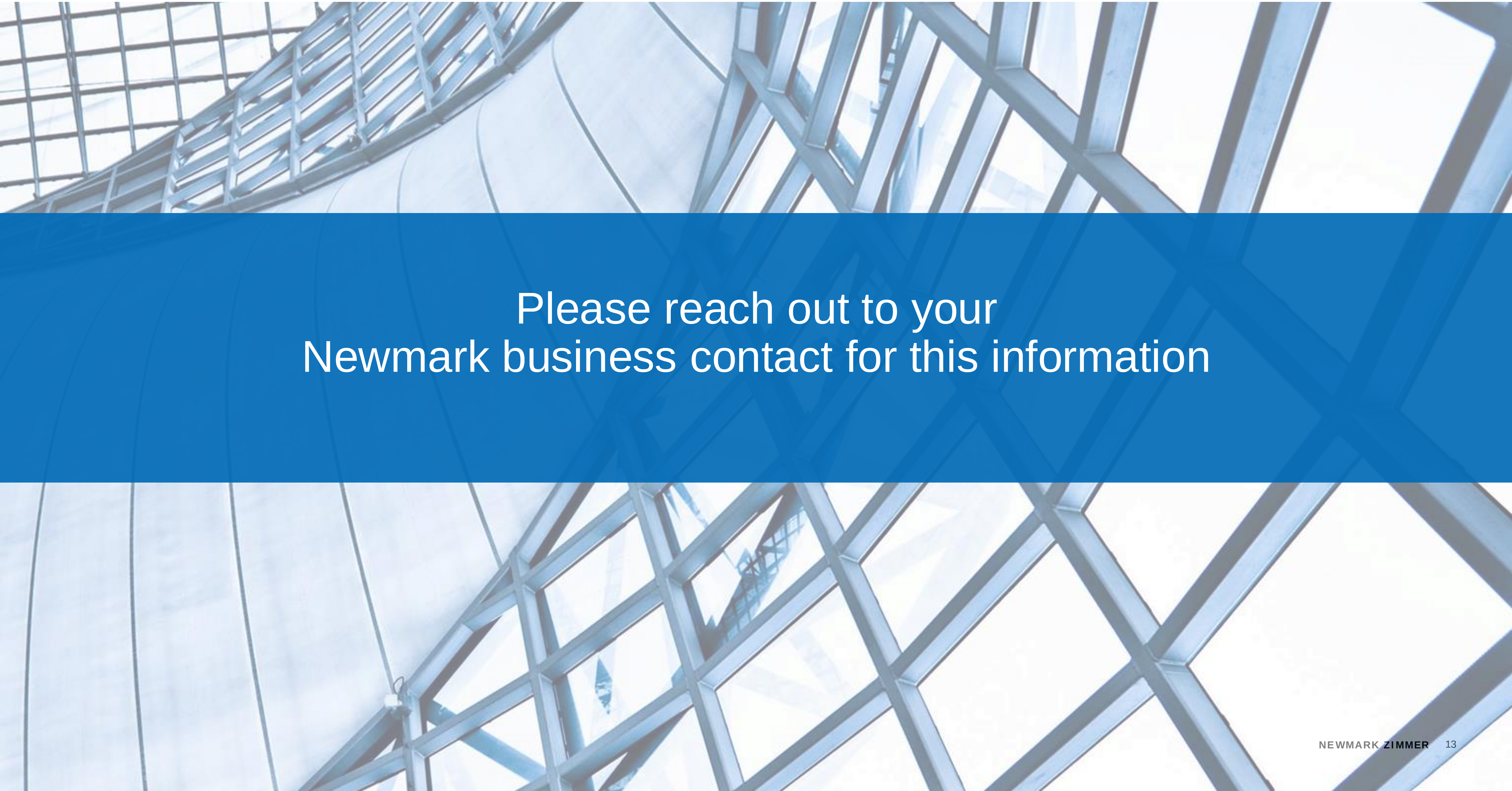
Leasing Activity Down in Most Submarkets Compared to Pre-Pandemic Levels



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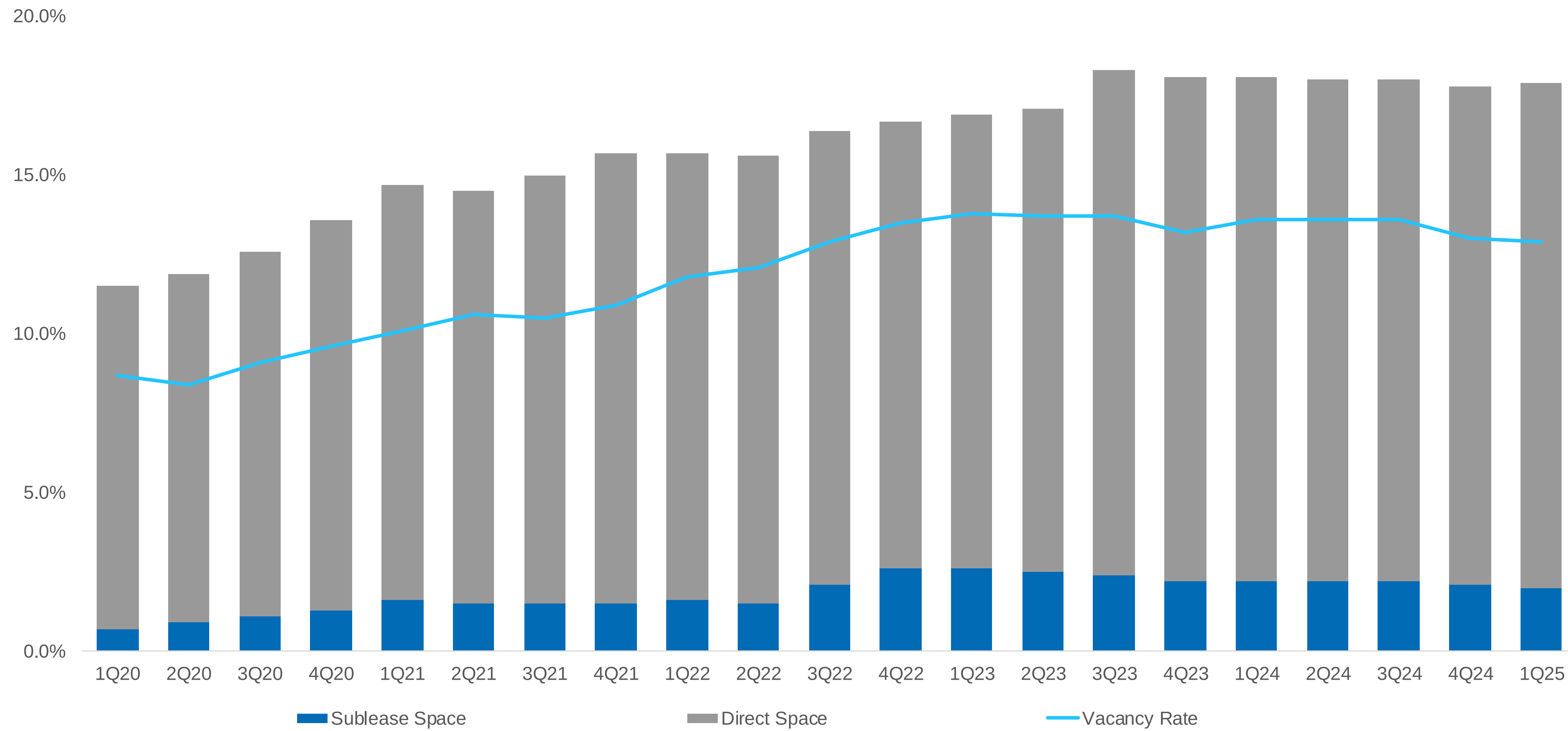
Direct Availability Stabilizes; Sublease Availability Declines To 2.0%

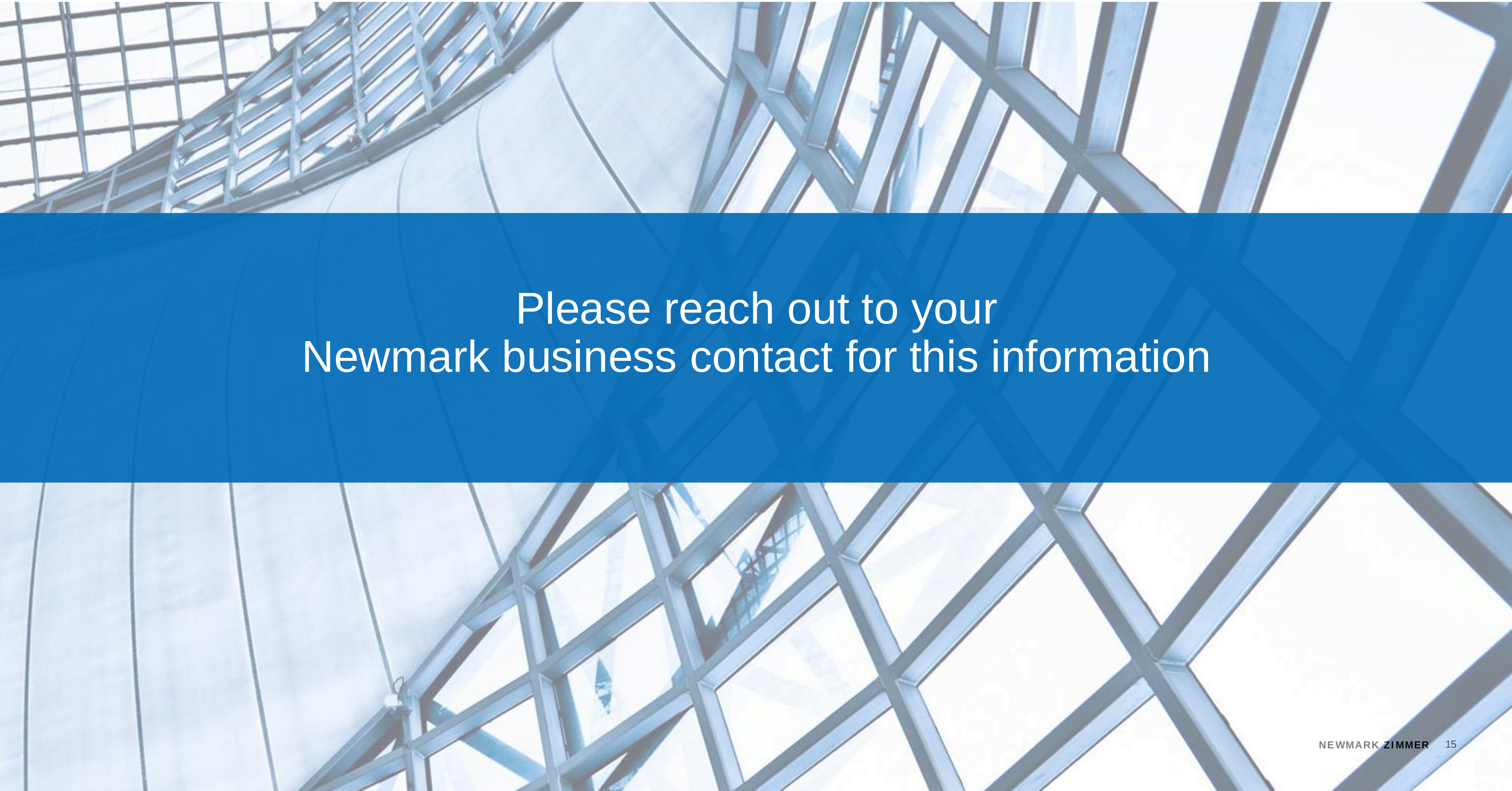
Before the pandemic, many tech companies leased space in anticipation of future employment growth, aiming to hedge against tightening supply and rising rents. Following recent job cuts in the sector, a significant share of available sublease space remains tied to tech firms. Direct availability is projected to begin declining this year, while sublease availability has already dropped from 2.6% in the first quarter of 2023 to 2.0% in the first quarter of 2025.

Available Space as Percent of Overall Market



Source: Newmark Research

South County Experiences Largest Availability Rate Decrease



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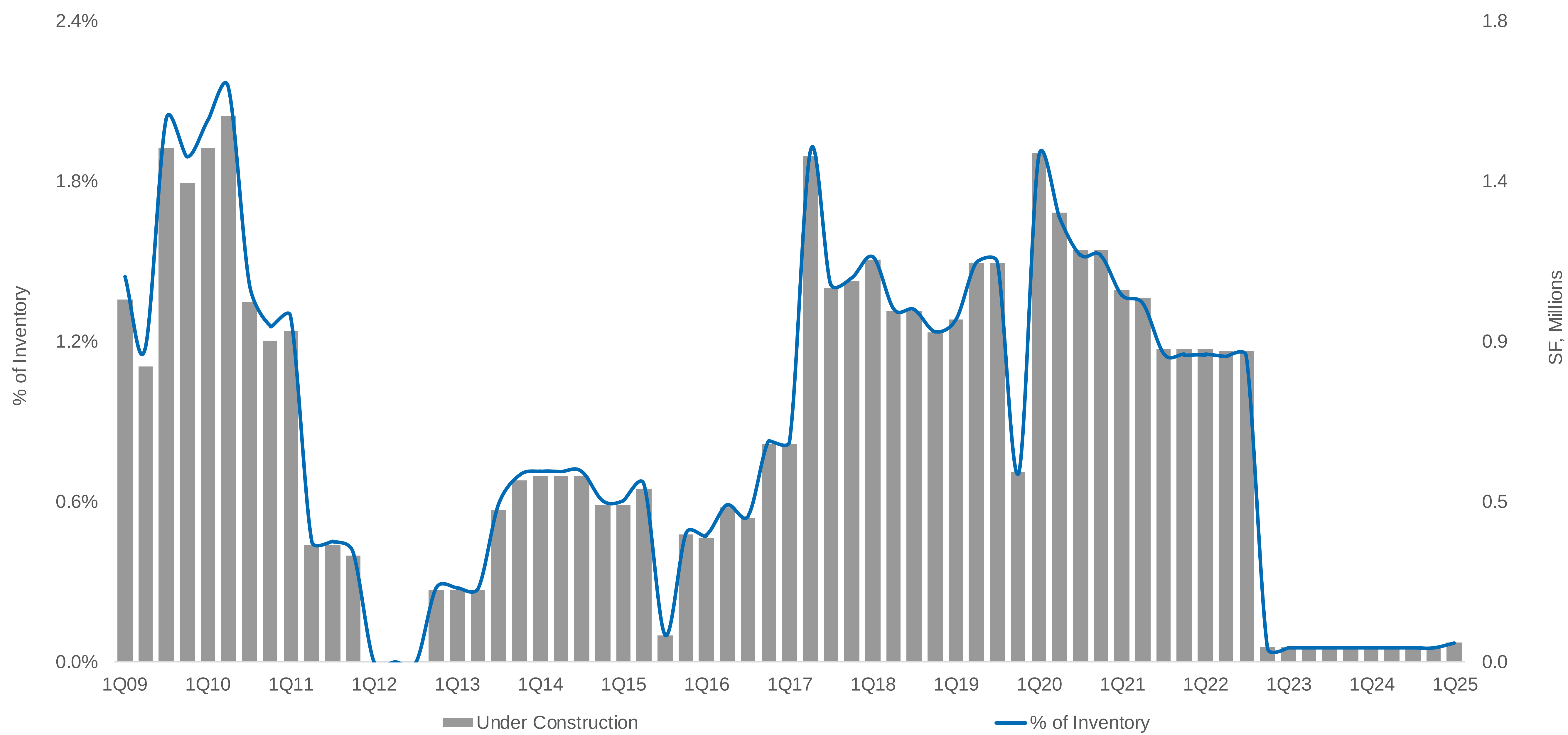
New Construction Pauses as Vacancy Holds at 12.9%

Since the 2022 deliveries of Commerce Bank Tower and Forsyth Pointe in the Clayton submarket, new construction has declined sharply. Current activity is limited to build-to-suit and owner-occupied projects, as elevated vacancy at 12.9% continues to suppress speculative development.

Office Under Construction and % of Inventory

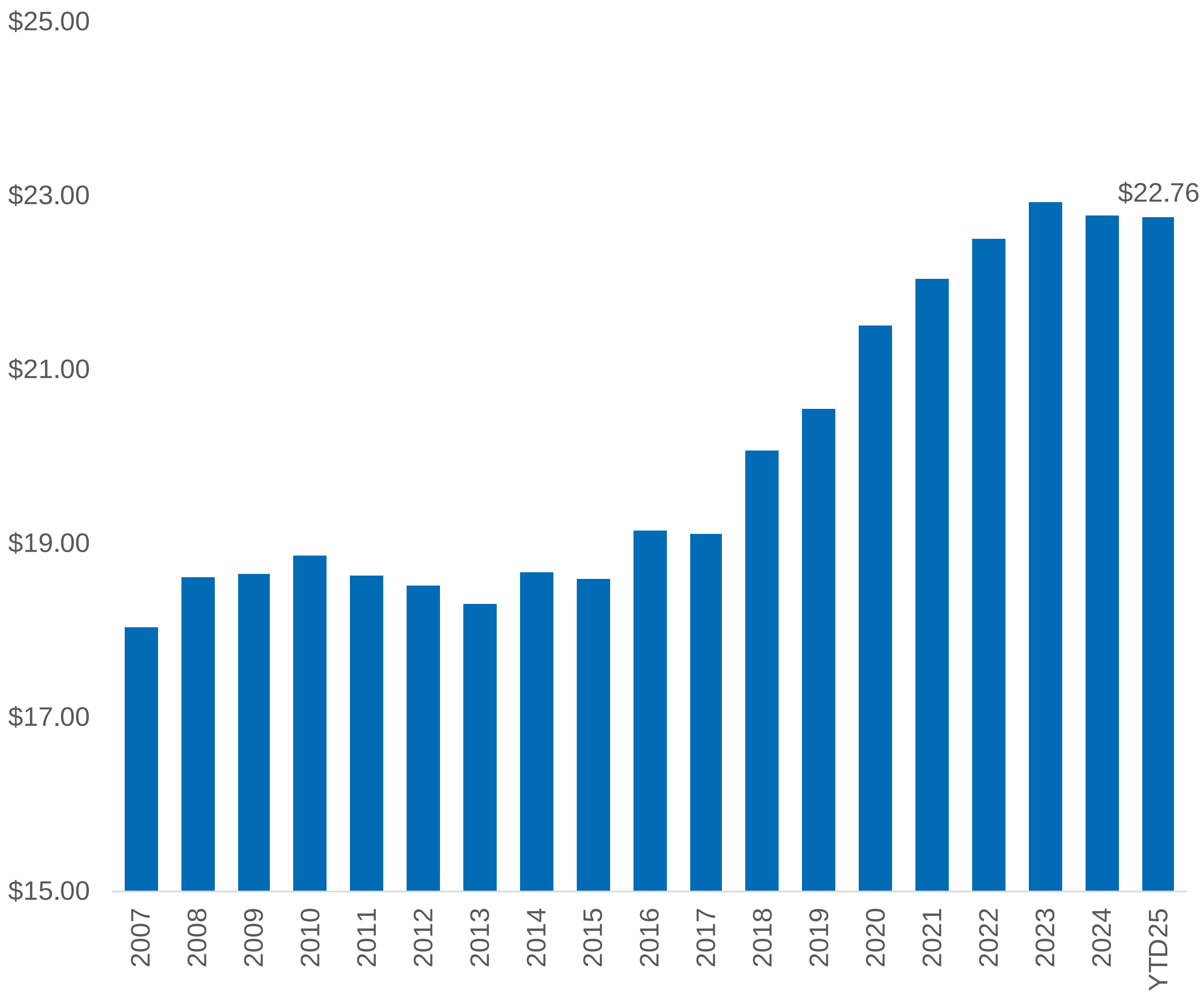


Source: Newmark Research, CoStar, St. Louis Market

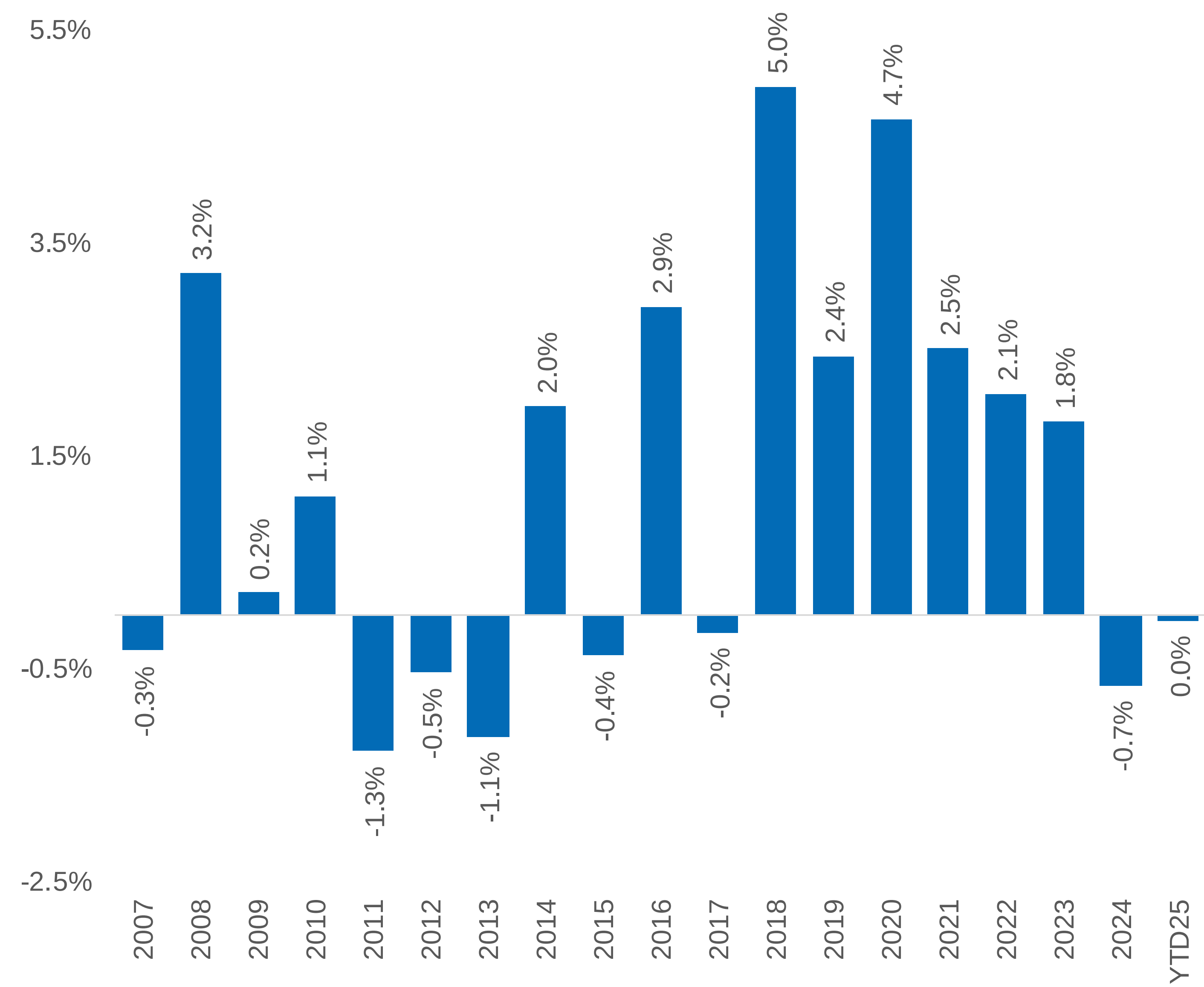
Rents Decline As Landlords Navigate Limited Liquidity

Overall asking rents declined year over year to $22.76/SF and are expected to remain flat over the next four quarters. Limited liquidity is prompting some landlords to lower rents rather than expand concession packages. With inflation remaining elevated over the past three years, real growth in office asking rents has largely stagnated.

Office Average Asking Rent, $/SF, FS



Year-Over-Year Asking Rent Growth Rate

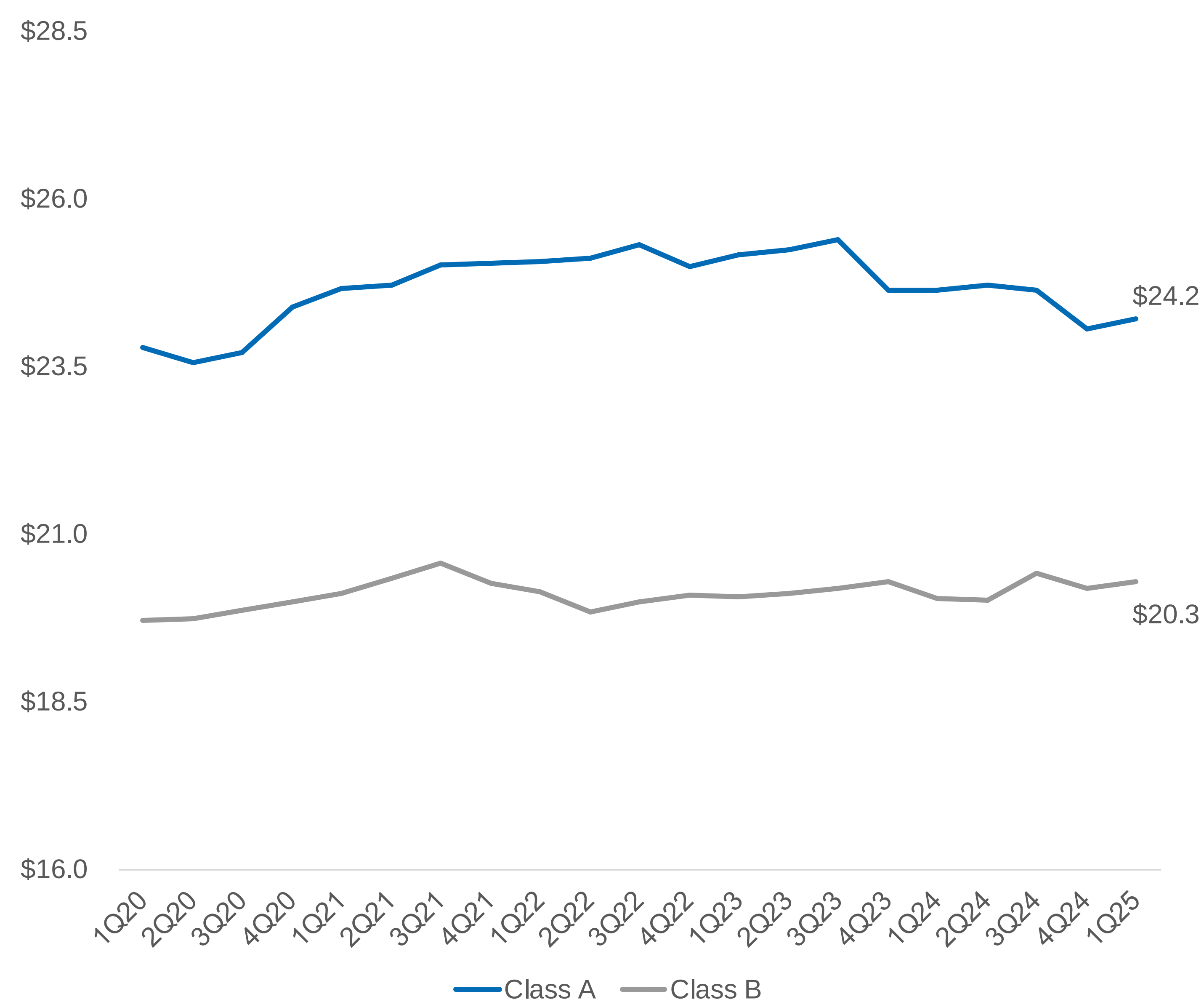


Source: Newmark Research, CoStar

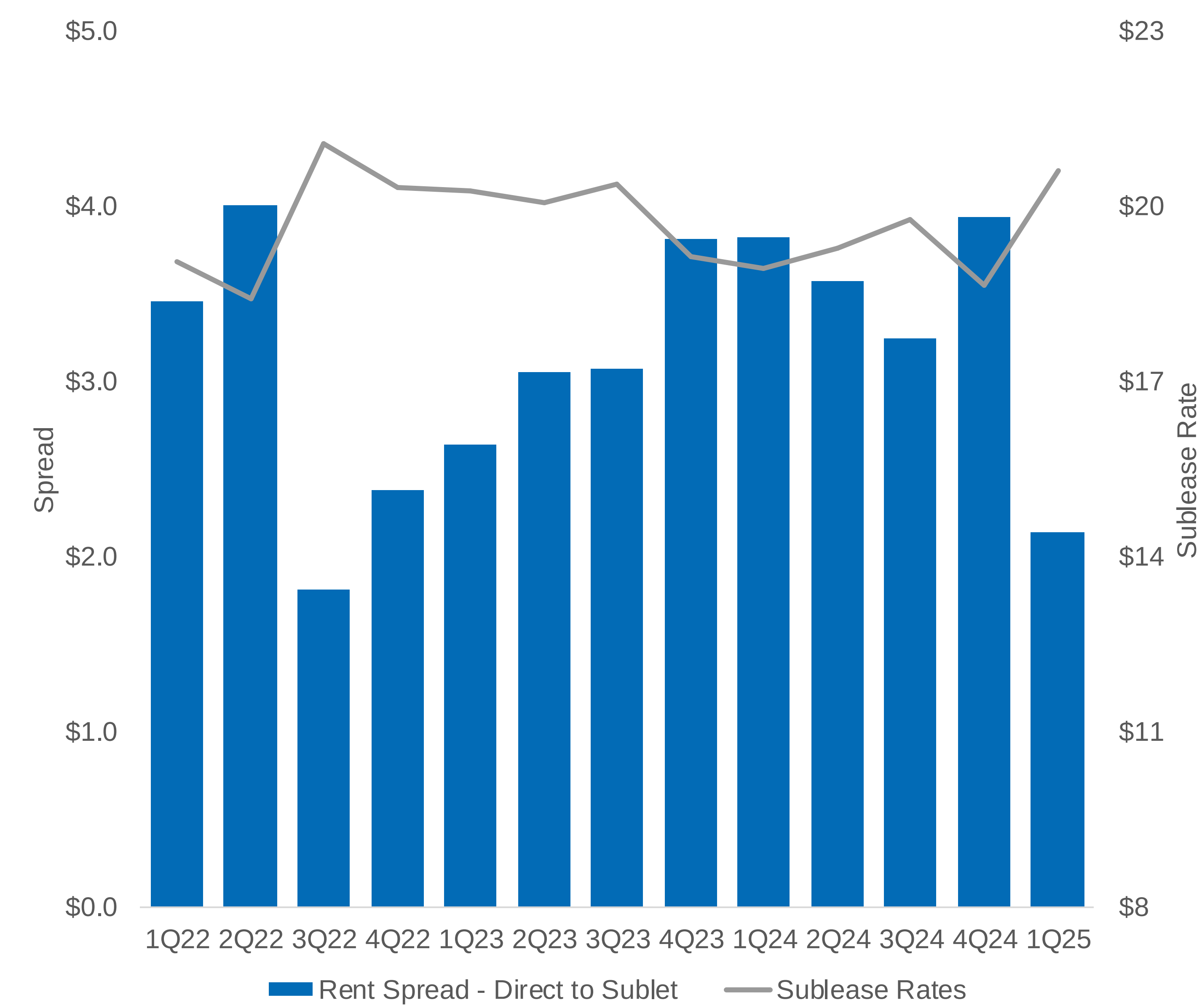
Class A Rents Compress

Although asking rental rates have remained relatively stable since the start of the pandemic, historical trends suggest rents eventually adjust to reflect reduced demand. The rent compression seen in major markets during 2023 and 2024 has begun to extend into select secondary and tertiary markets, including St. Louis. Sublease rents rose to $20.62/SF in the first quarter of 2025, narrowing the rent spread to $2.14/SF.

Class A and Class B Asking Rents

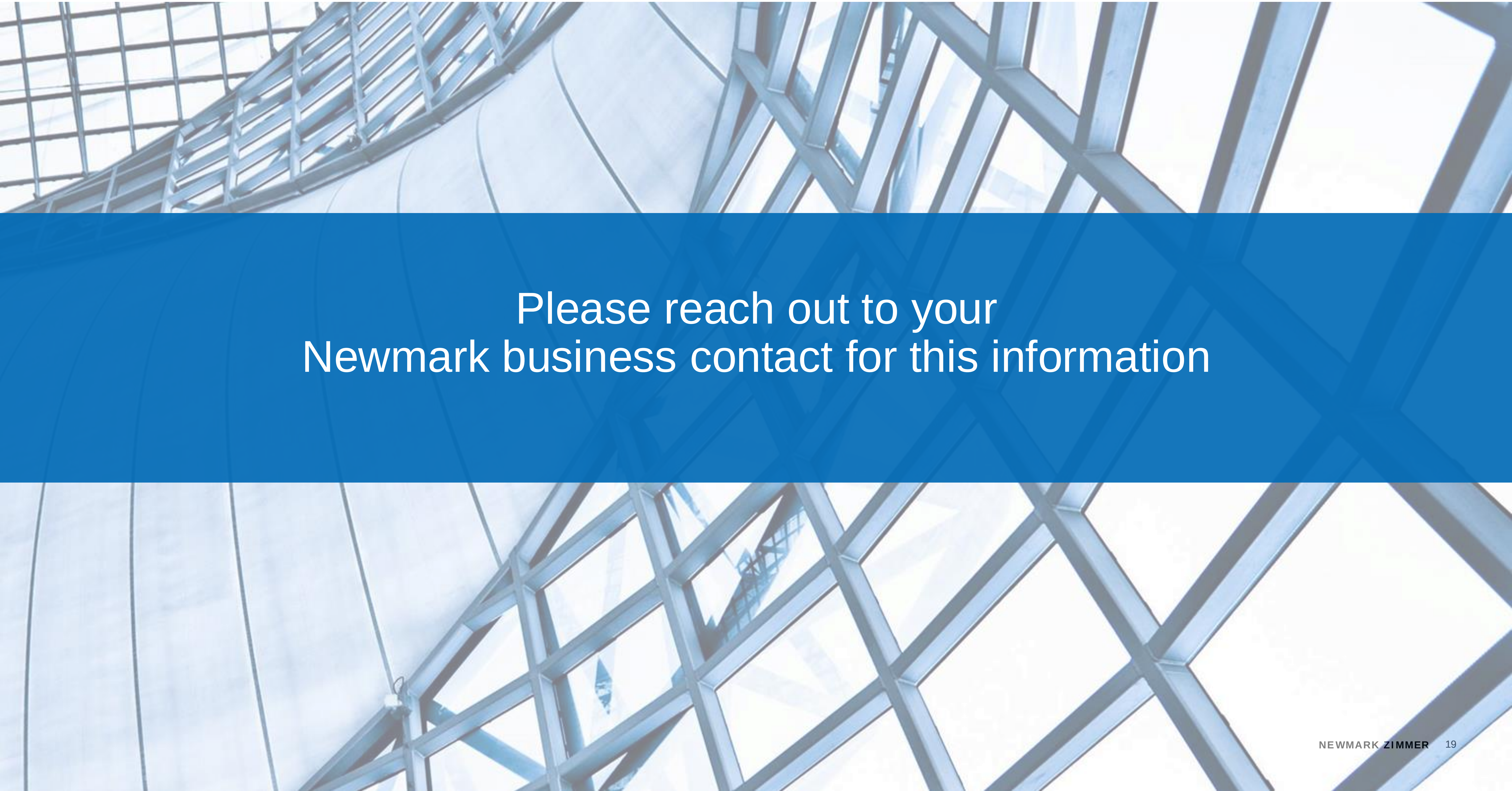


Sublease Rates



Source: Newmark Research, CoStar

Marquee Submarkets See Largest Rental Rate Growth Since 2020



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1Q25 Notable Leasing Activity

Demand for new or newly renovated Class A office space in marquee submarkets—particularly those with premium amenities—is expected to remain strong over the next four quarters. Significant tenant movement out of outdated space and ongoing conversions to multifamily and hospitality have contributed to market stabilization, with vacancy declining 70 basis points since the third quarter of 2024.

Select Lease Transactions

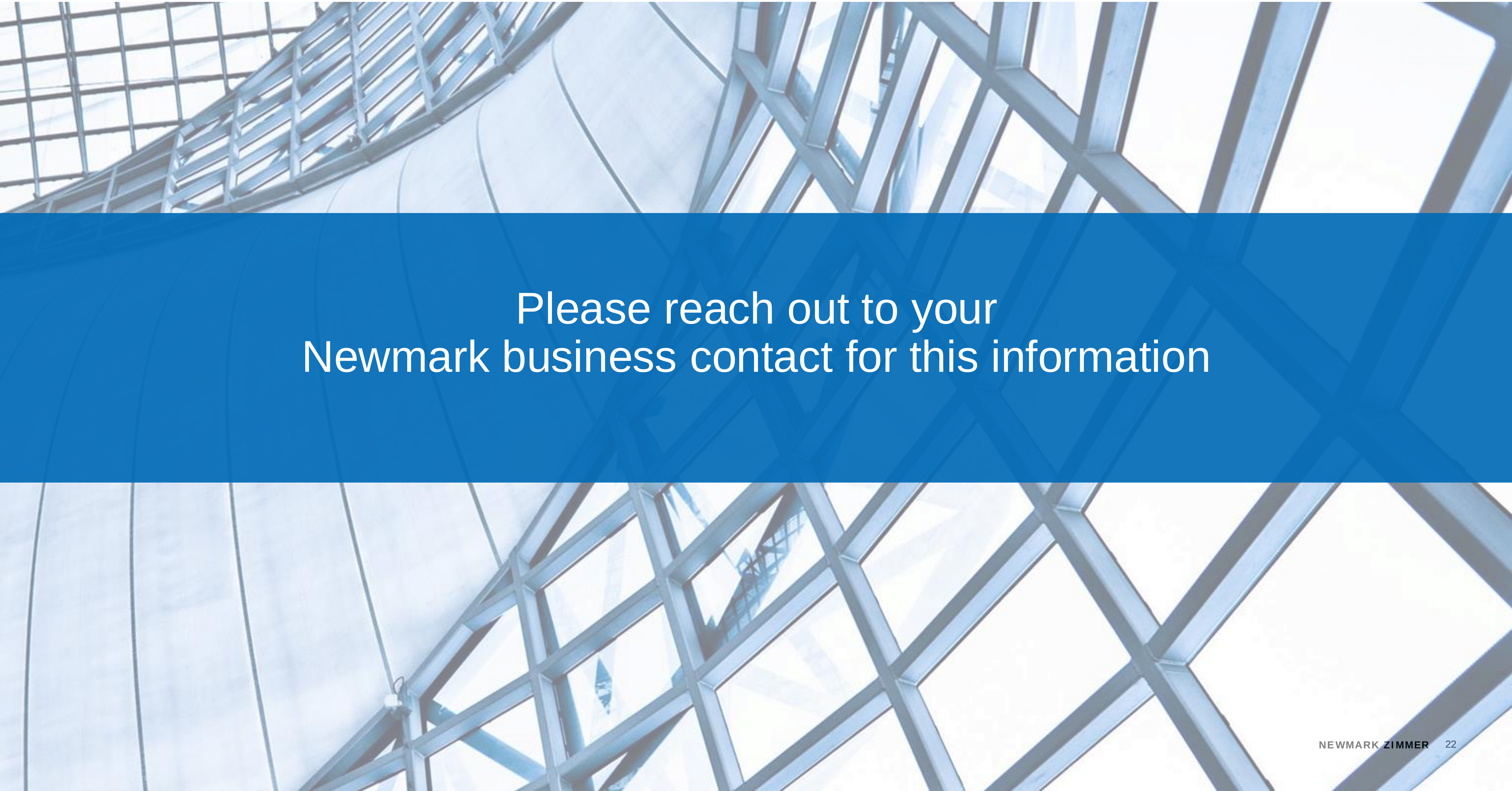
Tenant	Building(s)	Submarket	Type	Square Feet
Caleres	8182 Maryland Avenue; 8253 Forsyth Boulevard	Clayton	Direct Lease	140,750
Caleres announced it will relocate from its owned-campus at 8300 Maryland Avenue in Clayton into two separate office towers, leasing 100,260 SF at 8182 Maryland Avenue (Regions Centre) and 40,490 SF at 8235 Forsyth Boulevard (Energizer Building). An anticipated move-in is scheduled for June 2026.				
TechArtista	760 S 2nd Street	Downtown	Direct Lease	40,000
The St. Louis-based coworking provider announced it signed a lease within the future $1.2 billion, Gateway South development. This will be the firm's fourth location in the St. Louis region and will provide 30,000 SF of office space along with 10,000 SF dedicated to event uses. An anticipated move-in is scheduled for the second quarter of 2027.				
UnitedHealthcare	13655 Riverport Drive	North County	Renewal (Downsize)	37,700
UnitedHealthcare announced it renewed just 37,700 SF at 13655 Riverport Drive in Maryland Heights in January 2025. The health insurance provider cited continued remote and hybrid work strategies as the primary reason for the 150,800-SF downsize.				
Avatara	900-920 Spruce Street	Downtown	Direct Lease	23,190
Avatara, a cloud computing company specializing in fully managed IT solutions, agreed to a 7-year and 9-months lease for 23,190 SF of space on the seventh floor of the Cupples 9 building in Downtown.				
SFW Partners, LLC	721 Emerson Road	Mid County	Direct Lease (Expansion)	22,160
SFW Partners, LLC will relocate its headquarters from 7,740 SF at 1610 Des Peres Road into 22,160 SF on the second floor of Creve Coeur Center II at 721 Emerson Road. An anticipated move-in is scheduled for October 2025.				

Source: Newmark Research

1Q25

Submarket Statistics

Submarket Statistics: All Classes, Class A, Class B



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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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