2Q25

St. Louis Office Market Overview

Market Observations

Economy

- The region's labor market stabilized as macroeconomic conditions shifted. May's unemployment rate fell to 3.6%, 50 basis points below the 10-year historical average of 4.1%.
- Year-over-year, job growth was strongest in the Construction 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 33,245 SF of net absorption, bringing the four-quarter total to 393,671 SF. This marks six out of the past nine quarters with positive absorption, as tenants continue to capitalize on favorable conditions. The West County and Downtown submarkets registered 341,630 SF and 130,484 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 41,000 SF currently under construction.
- Vacancy declined 10 basis points to 13.0% during the quarter and is expected to remain stable in 2025 as the market recalibrates. Year-over-year, asking rental rates dropped by $0.26 to $22.62/SF.

Major Transactions

- Delta Dental agreed to lease 69,000 SF in the 400,000-SF, multi-tenant 1400 Building located at 1400 South Highway Drive in Fenton.
- Missouri Athletic Club will open its third location at Pierre Laclede Center I at 7701 Forsyth Boulevard. The nonprofit will lease 30,520 SF on the 14th and 15th floors, backfilling the former St. Louis Club space.
- KSDK will relocate its broadcast operations center from 62,000 SF at 1000 Market Street into 30,000 SF at 1001 Highlands Plaza Drive West. KSDK signed a 10-year lease.
- Baker Sterchi Cowden & Rice LLC will relocate to the Deloitte Building and occupy 22,800 SF across the entire ninth floor.

Outlook

- Macroeconomic uncertainty continues to influence market dynamics, prompting occupiers and investors to approach transactions with greater caution, 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.

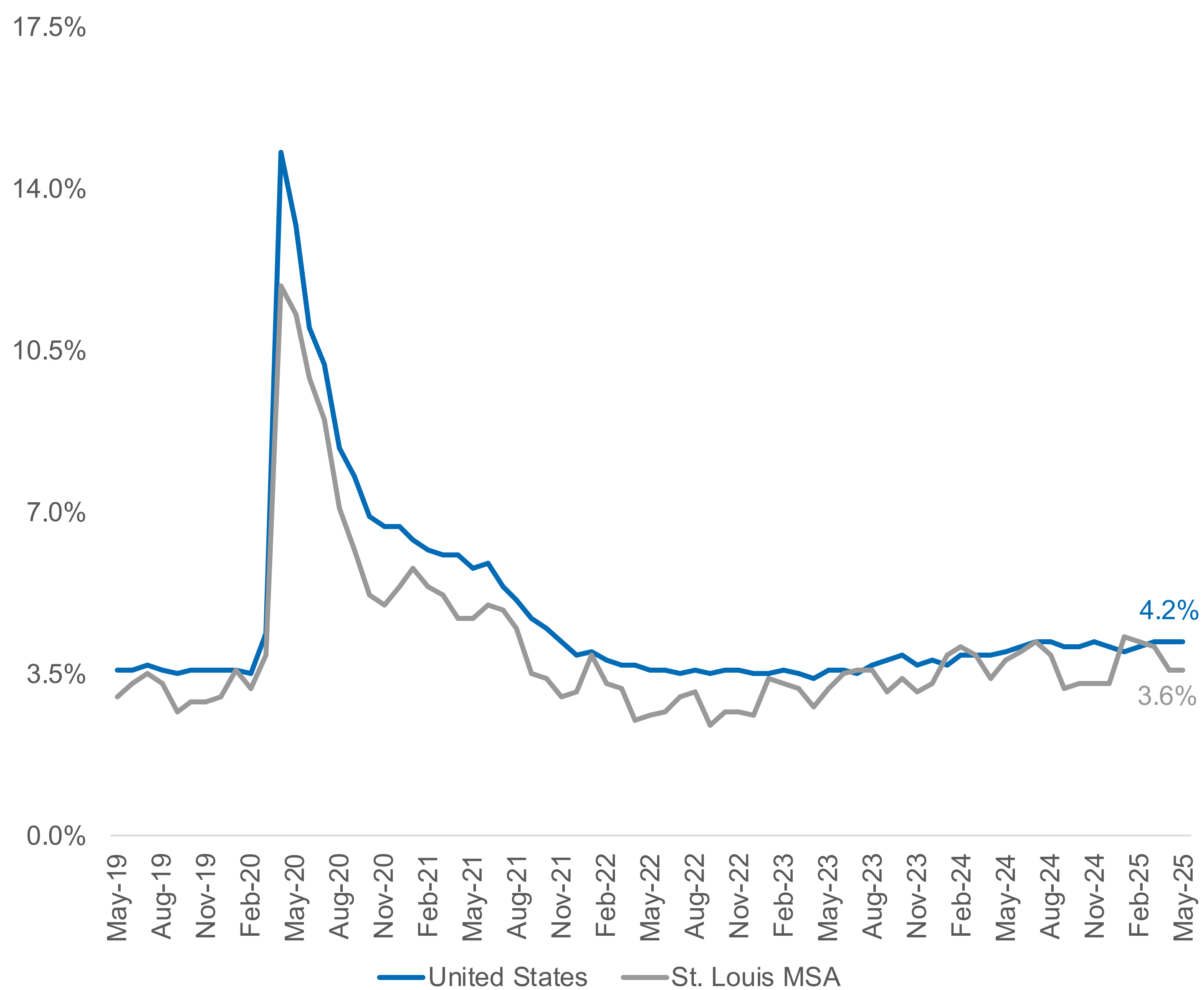
1. Economy
2. Leasing Market Fundamentals
3. Submarket Statistics

Economy

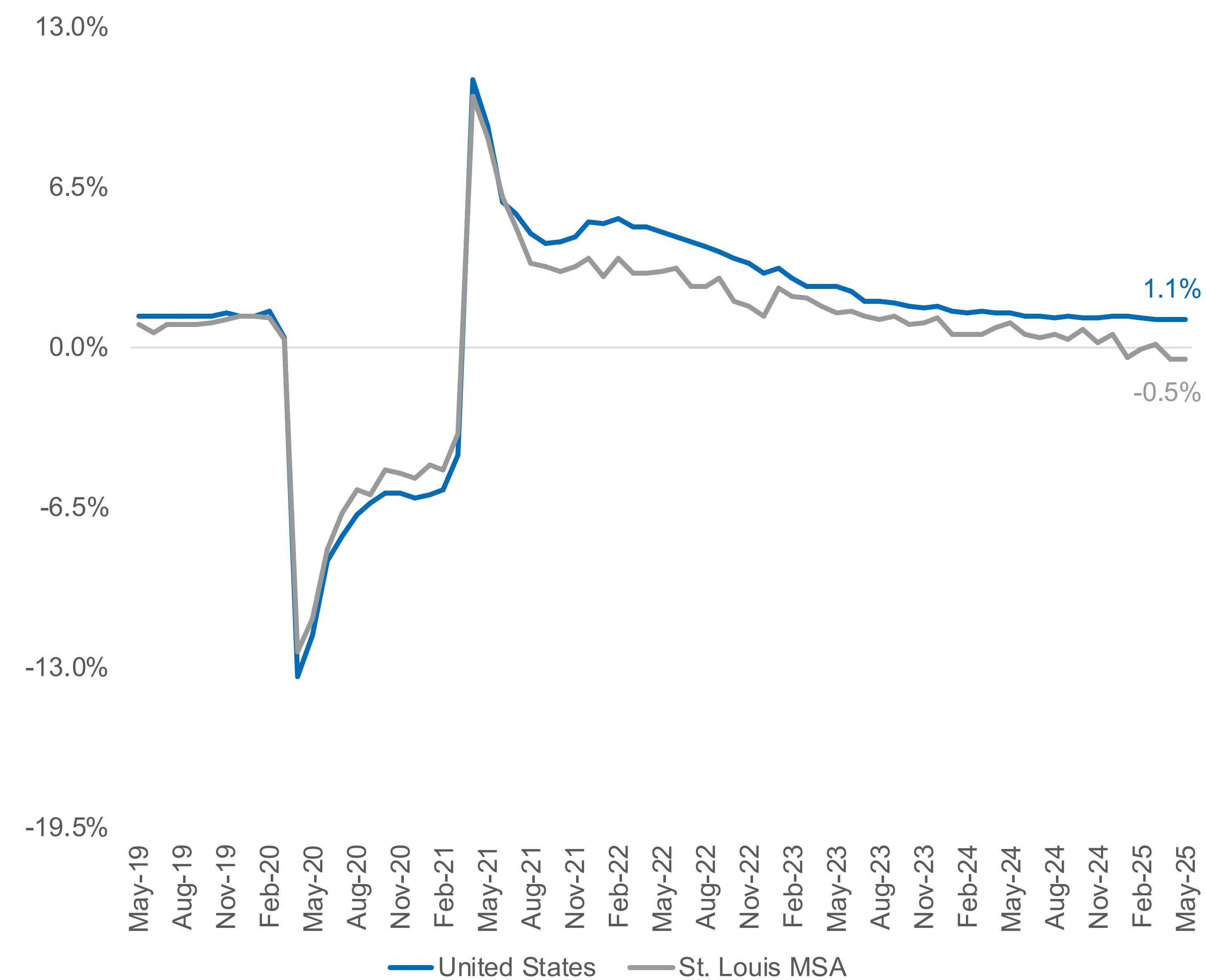
Metro Employment Trends Signal Stable Economy

The St. Louis region's labor market remains stable as unemployment dropped 60 basis points from the previous quarter. The regional unemployment rate now stands 60 basis points below the national average, indicating economic resilience. Nonfarm payroll employment in the region decreased into negative territory in January 2025. According to the Kansas City Fed Labor Market Conditions Indicators, activity held steady at 0.26, while momentum remained flat at -0.24 in May 2024.

Unemployment Rate, Non-Seasonally Adjusted



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

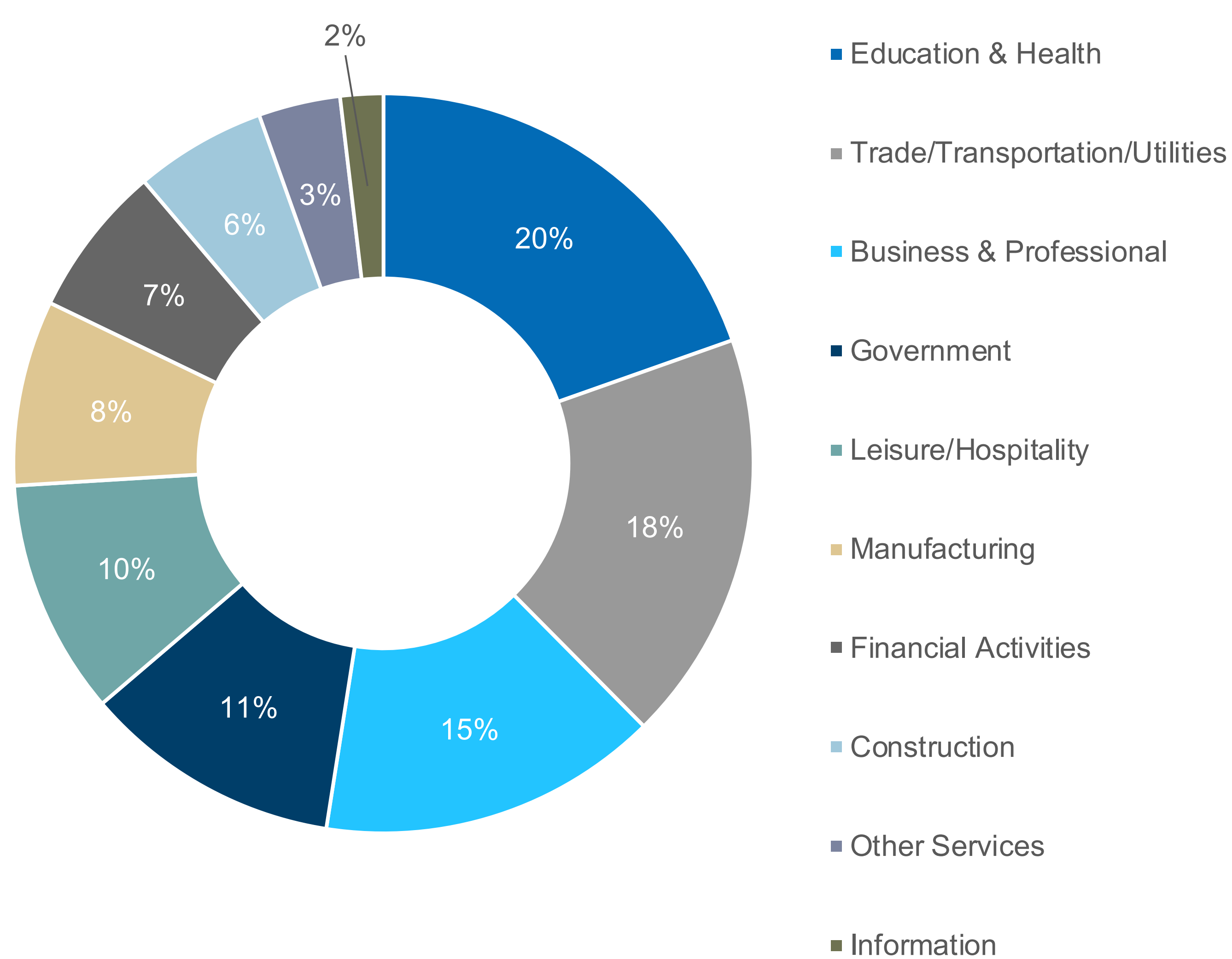


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

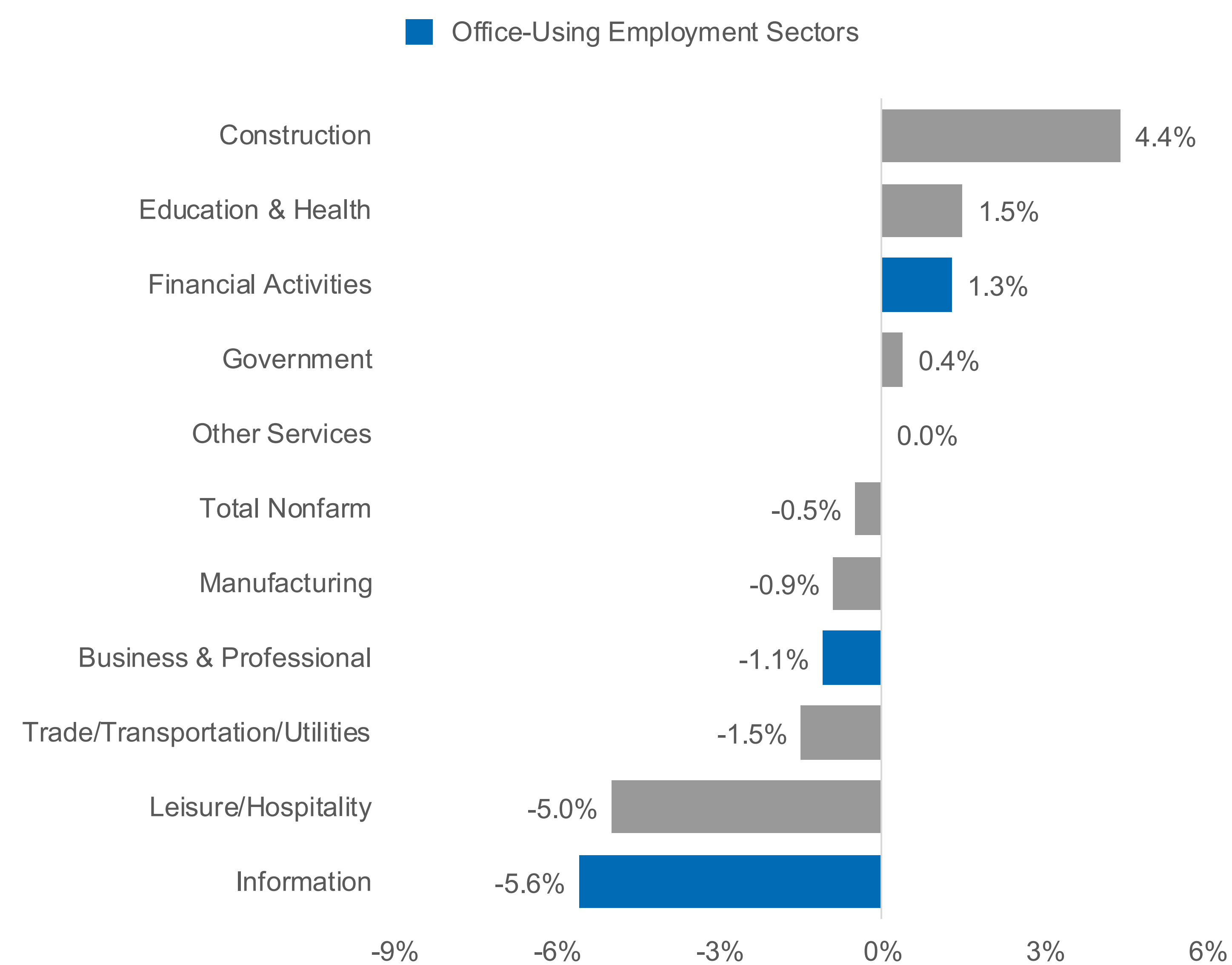
Information and Leisure/Hospitality Sectors Lead Regional Job Losses

The Construction sector led regional annual job growth, followed by Education and Health. The Information and Leisure/Hospitality sectors posted the largest job losses, with declines of 5.6% and 5.0%, respectively. Of the three office-occupying industries, only Financial Activities reported annual job gains.

Employment by Industry, May 2025



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

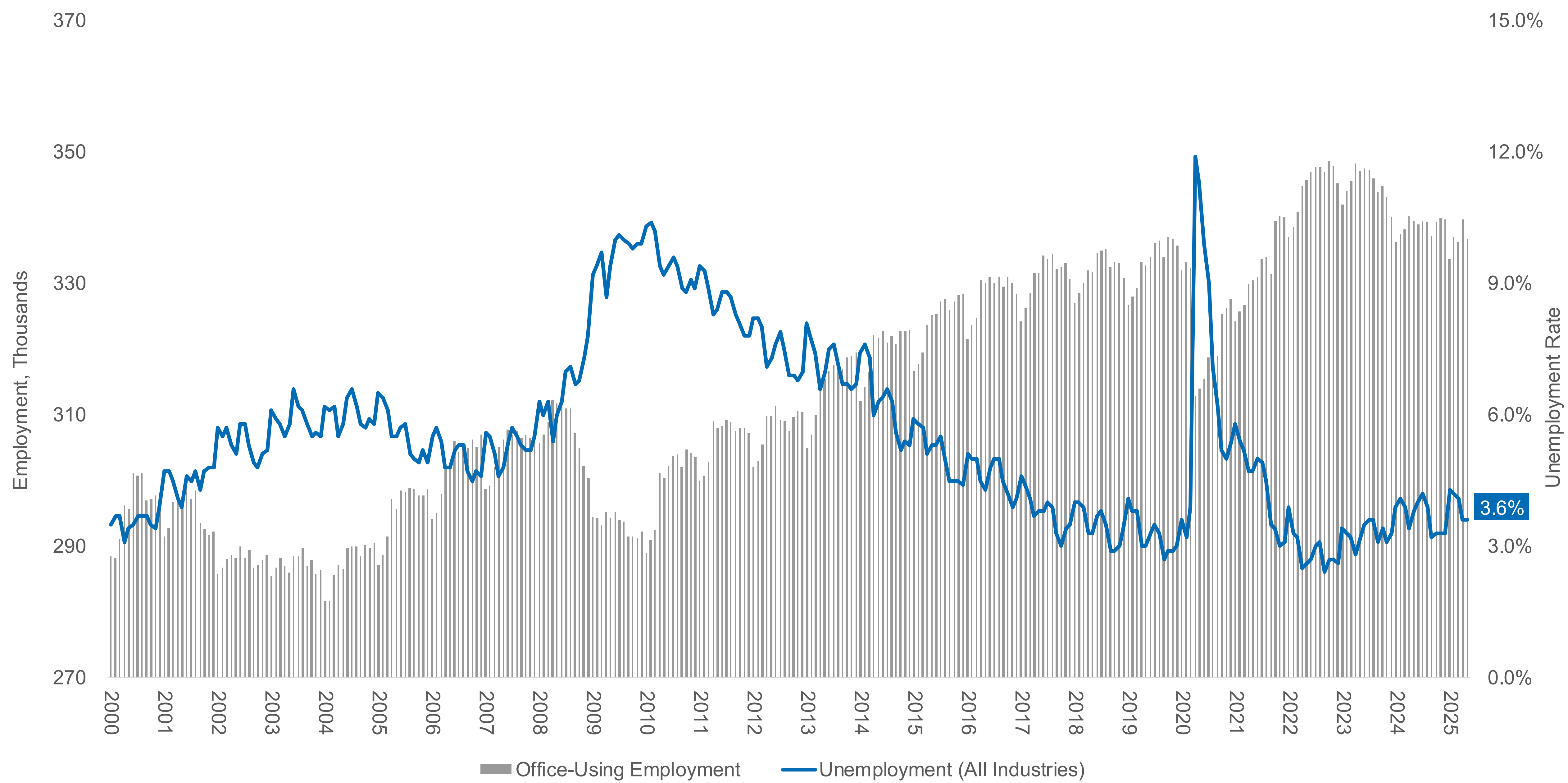


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

Overall Office Employment Trending Downward

Office employment has recovered from its pandemic low but has trended downward since April 2023, now aligning with levels last seen in September 2021. While a slight seasonal dip is typical early in the year, the region is expected to experience a decline in 2025.

Office-Using Employment* and Unemployment Across All Industries

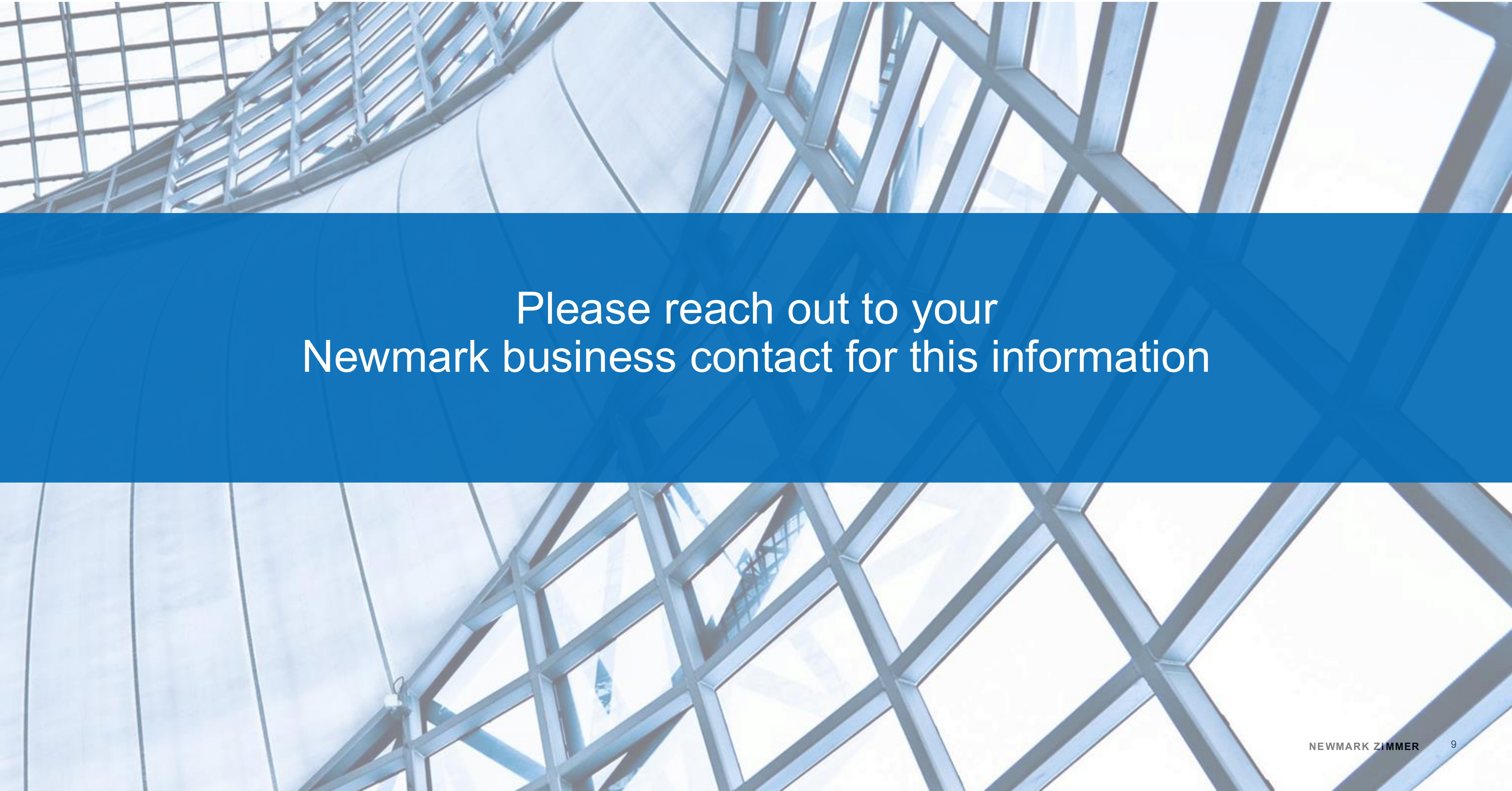


Source: U.S. Bureau of Labor Statistics, St. Louis MSA
Note: May 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

2Q25

Leasing Market Fundamentals

Market Overview

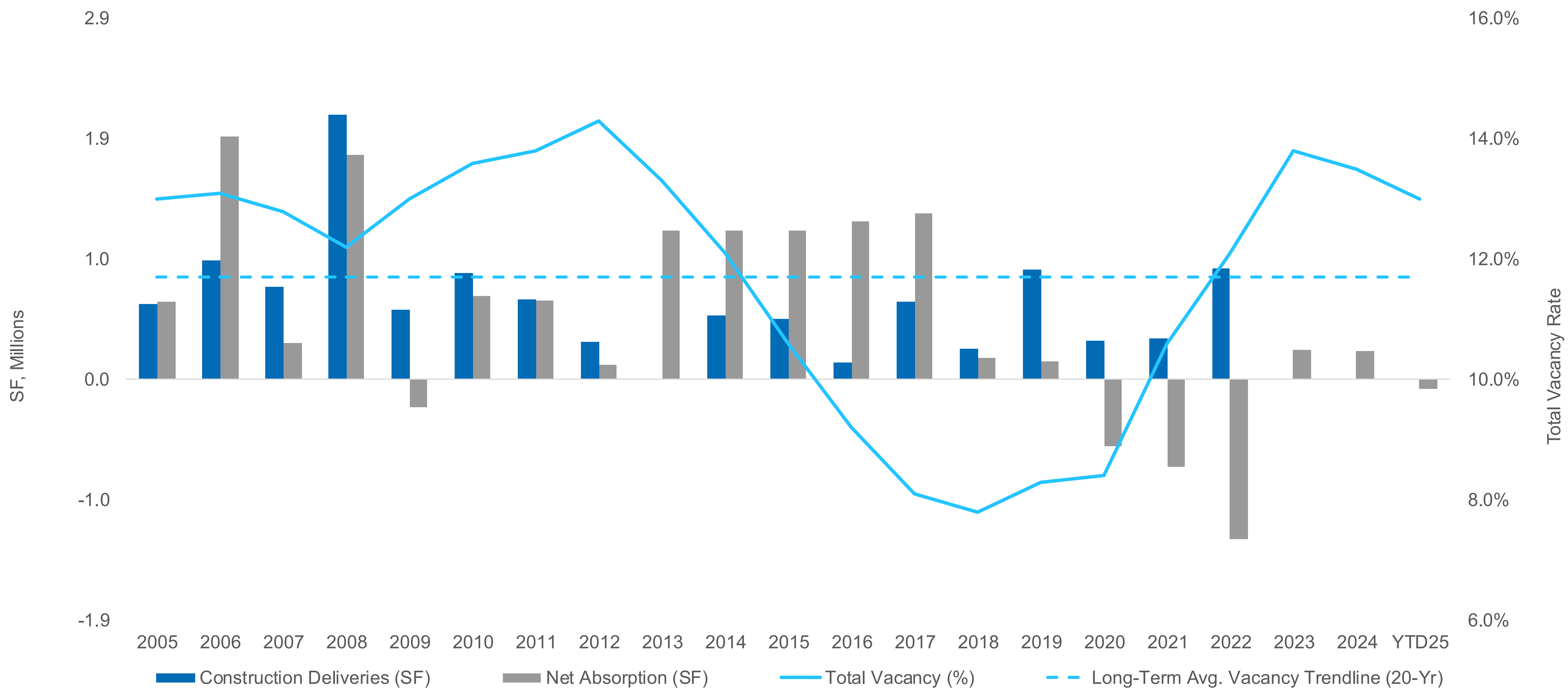


Please reach out to your
Newmark business contact for this information

Vacancy Stabilizing As Market Recalibrates

Vacancy decreased 50 basis points year over year to 13.0% 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

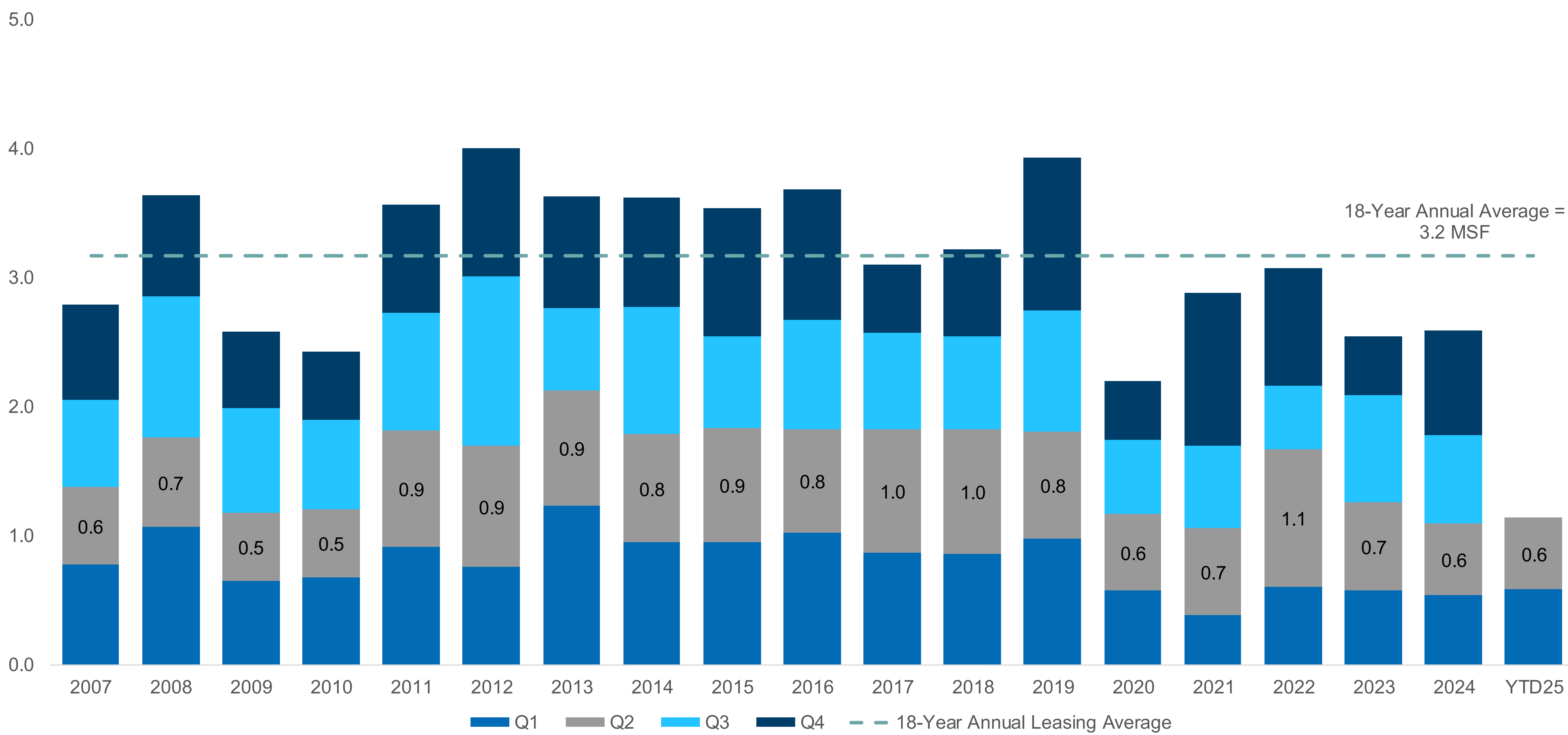


Source: Newmark Research

Leasing Activity Remains Muted Across Metro

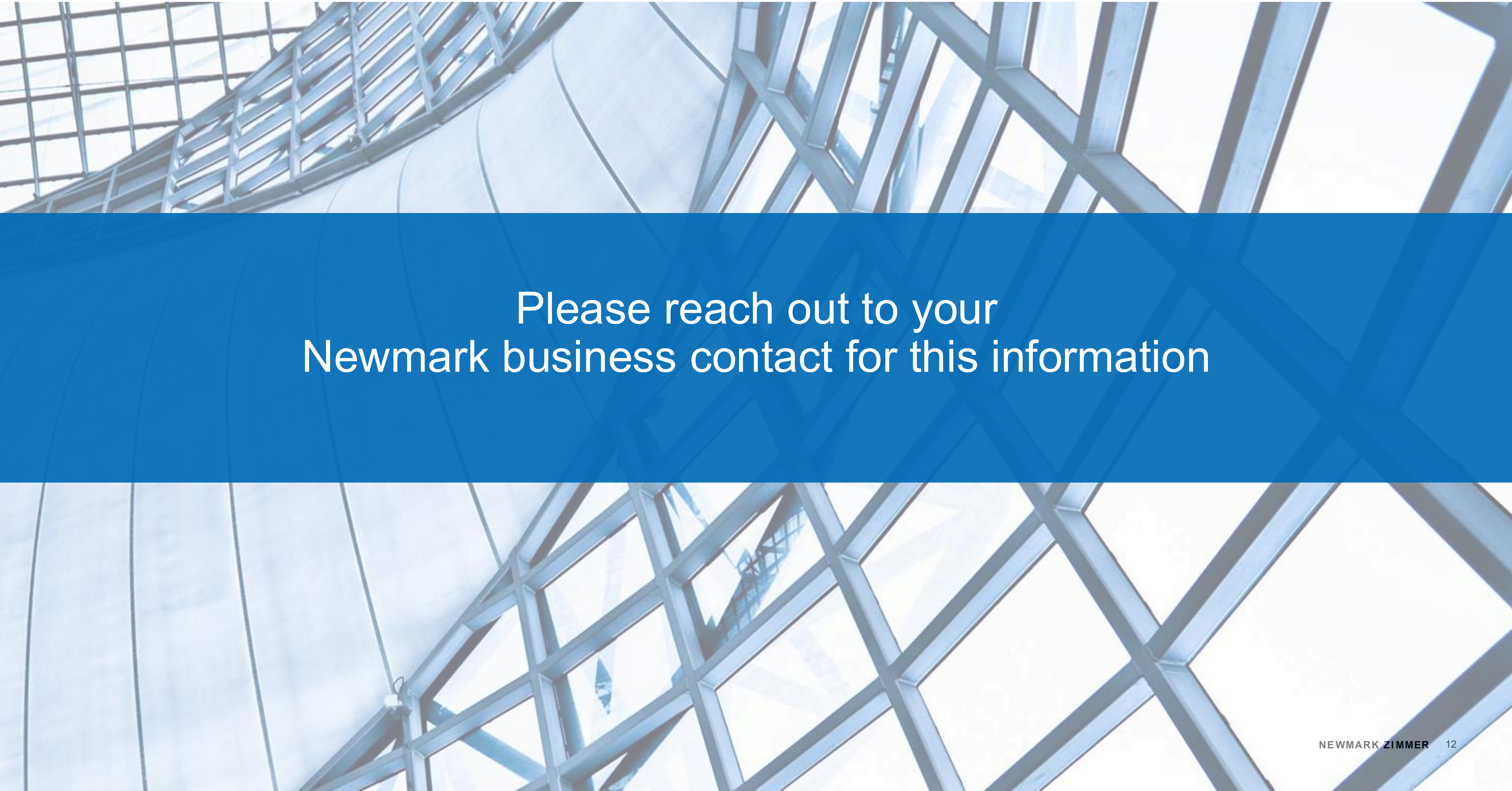
Leasing activity in the second quarter of 2025 totaled 553,659 SF, a 22.4% decrease compared to the second-quarter average from 2020 to 2024. Over the past four quarters, activity remained 16.7% below the 18-year average. Reduced office demand driven by corporate consolidation and downsizing, along with macroeconomic uncertainty and tighter debt financing, is expected to influence the near and midterm outlook.

Total Leasing Activity (MSF)



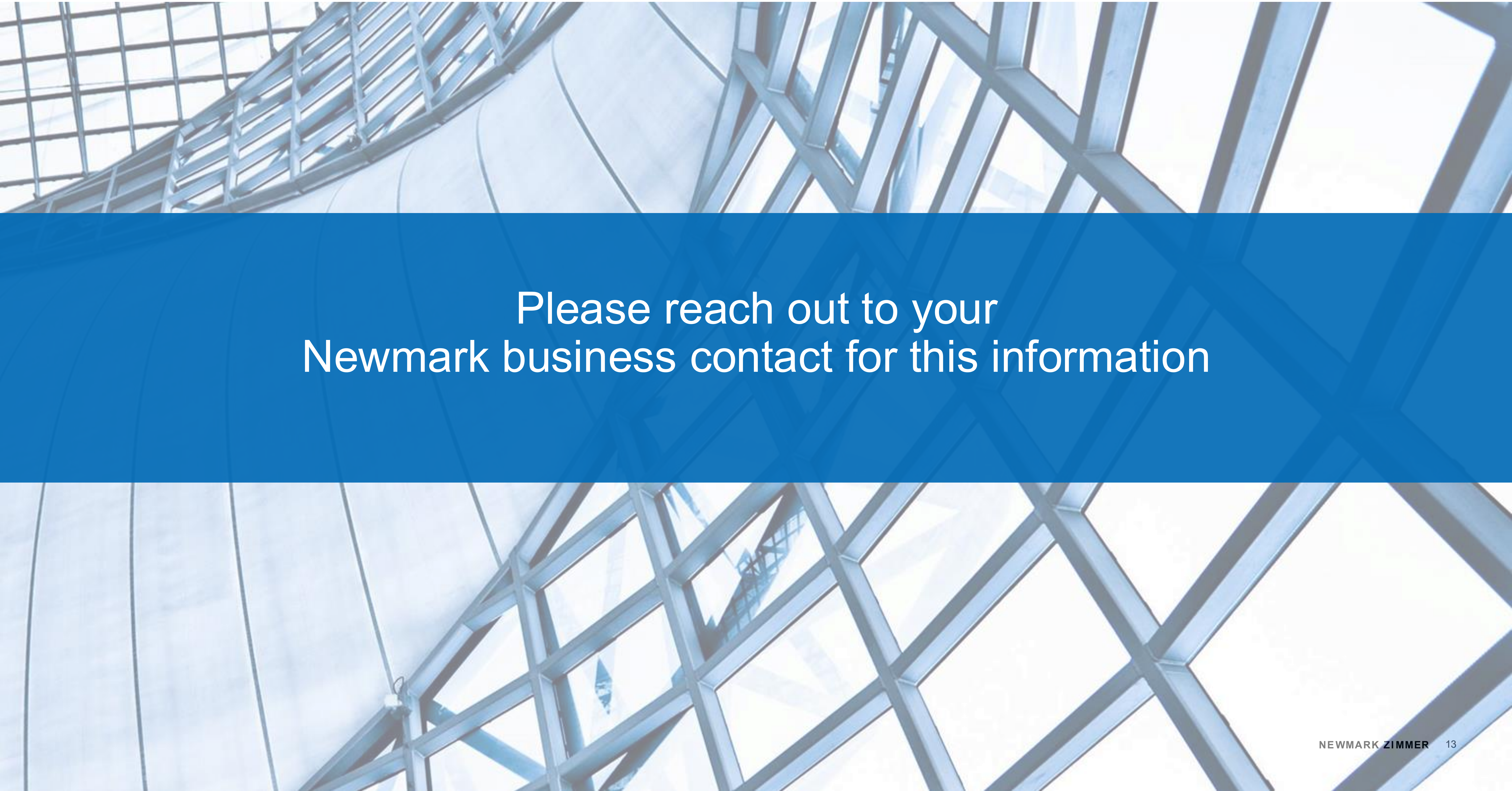
Source: Newmark Research, CoStar

Macroeconomic Uncertainty and Financing Challenges Reduce Leasing Volume



Please reach out to your
Newmark business contact for this information

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

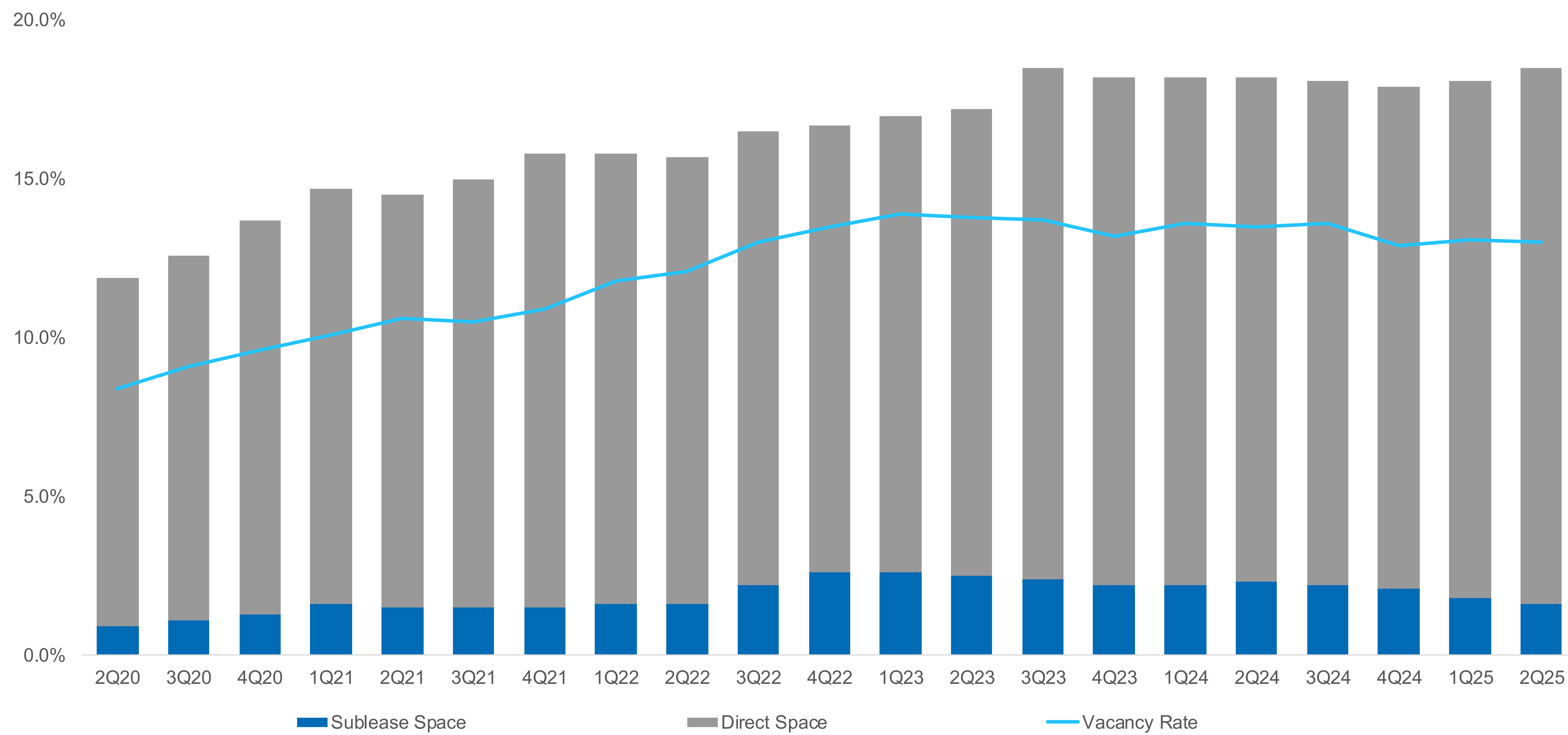


Please reach out to your
Newmark business contact for this information

Direct Availability Increases; Sublease Availability Declines To 1.6%

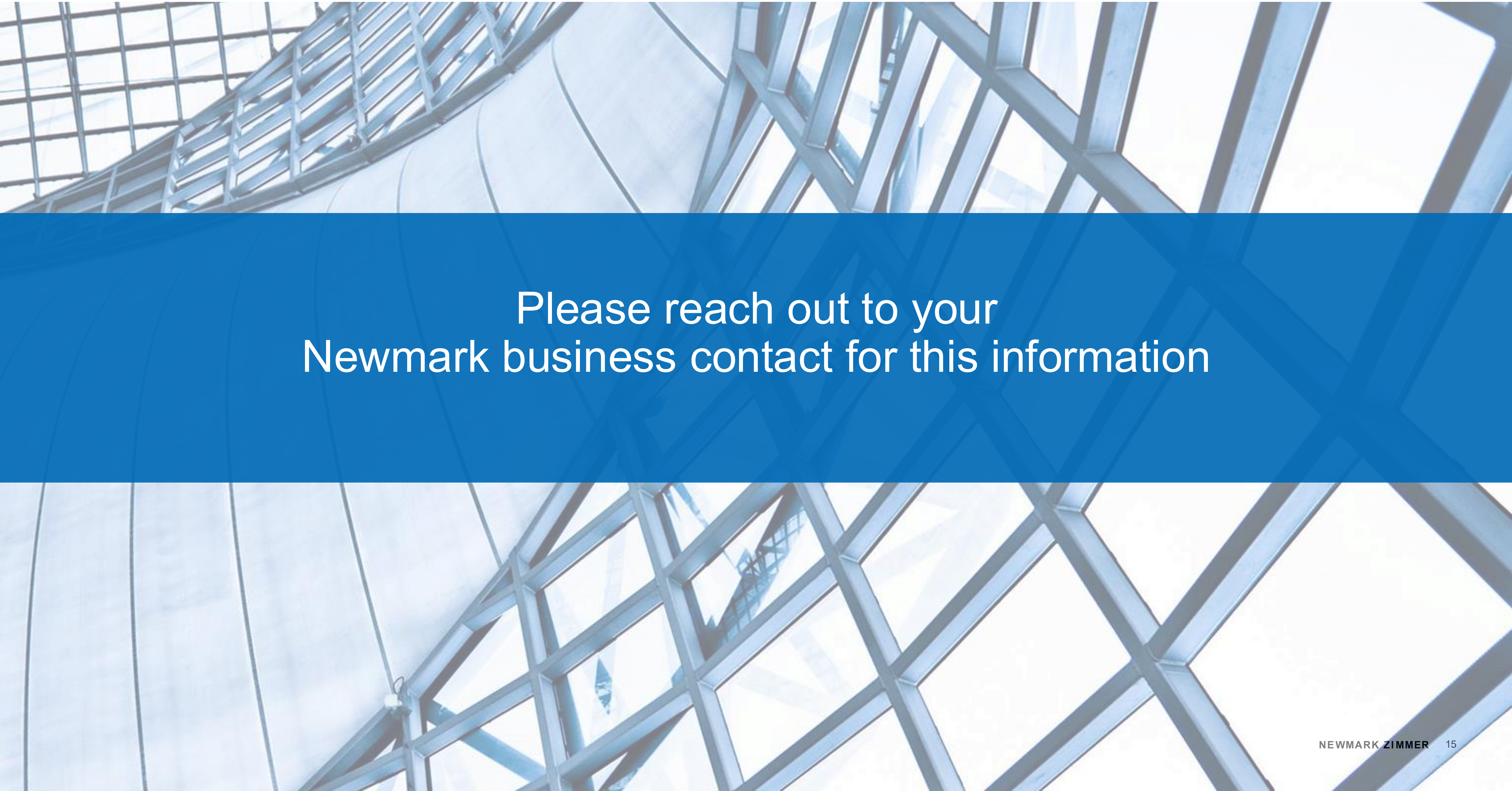
Before the pandemic, many tech companies leased space in anticipation of future employment growth, aiming to hedge against tightening supply and rising rents. Following recent job cuts in the sector, a significant share of available sublease space remains tied to tech firms. Direct availability is projected to stabilize and begin declining this year, while sublease availability has already dropped from 2.6% in the first quarter of 2023 to 1.6% in the second quarter of 2025.

Available Space as Percent of Overall Market



Source: Newmark Research

St. Charles County Experiences Largest Availability Rate Decrease

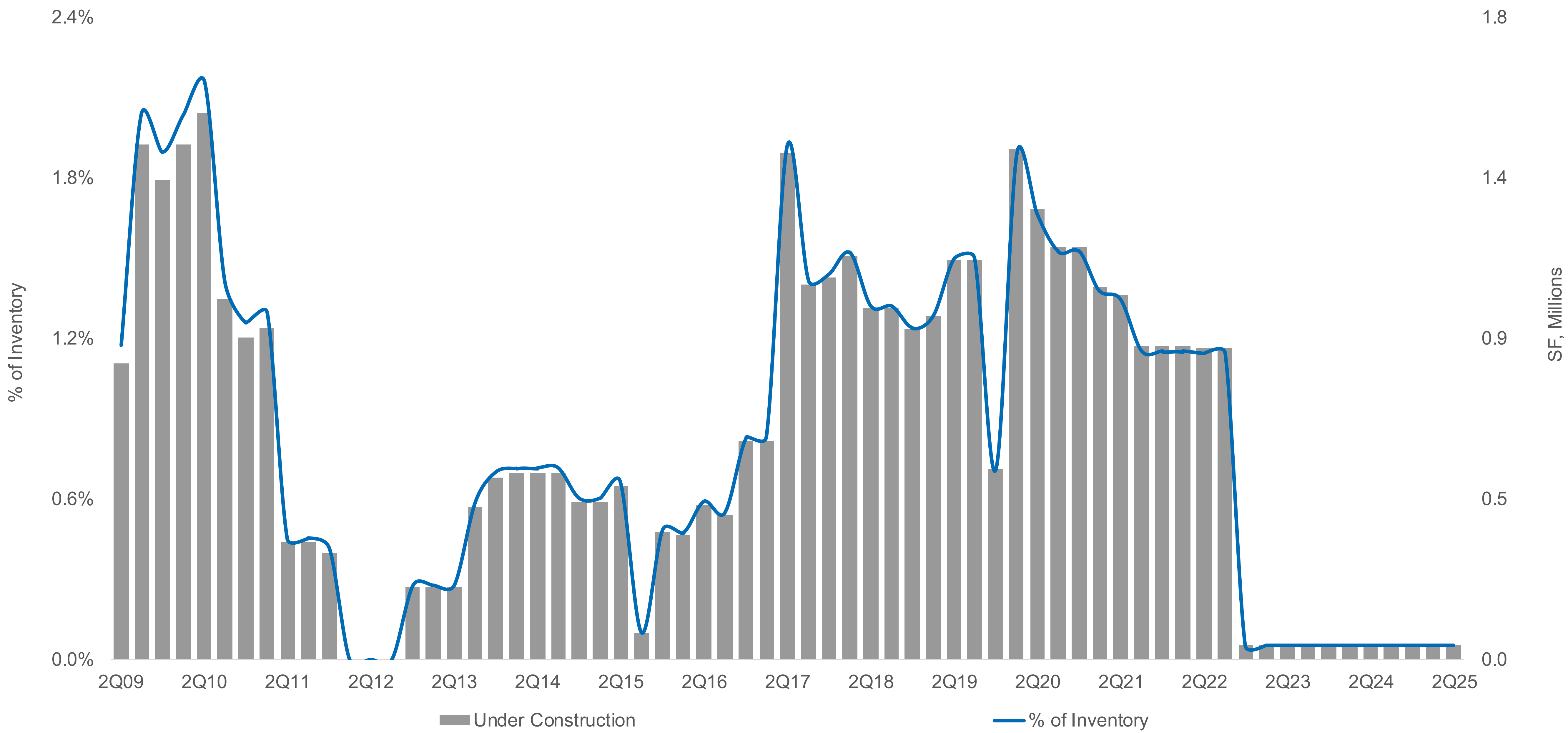


Please reach out to your
Newmark business contact for this information

New Construction Pauses as Vacancy Holds at 13.0%

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 13.0% continues to suppress speculative development.

Office Under Construction and % of Inventory

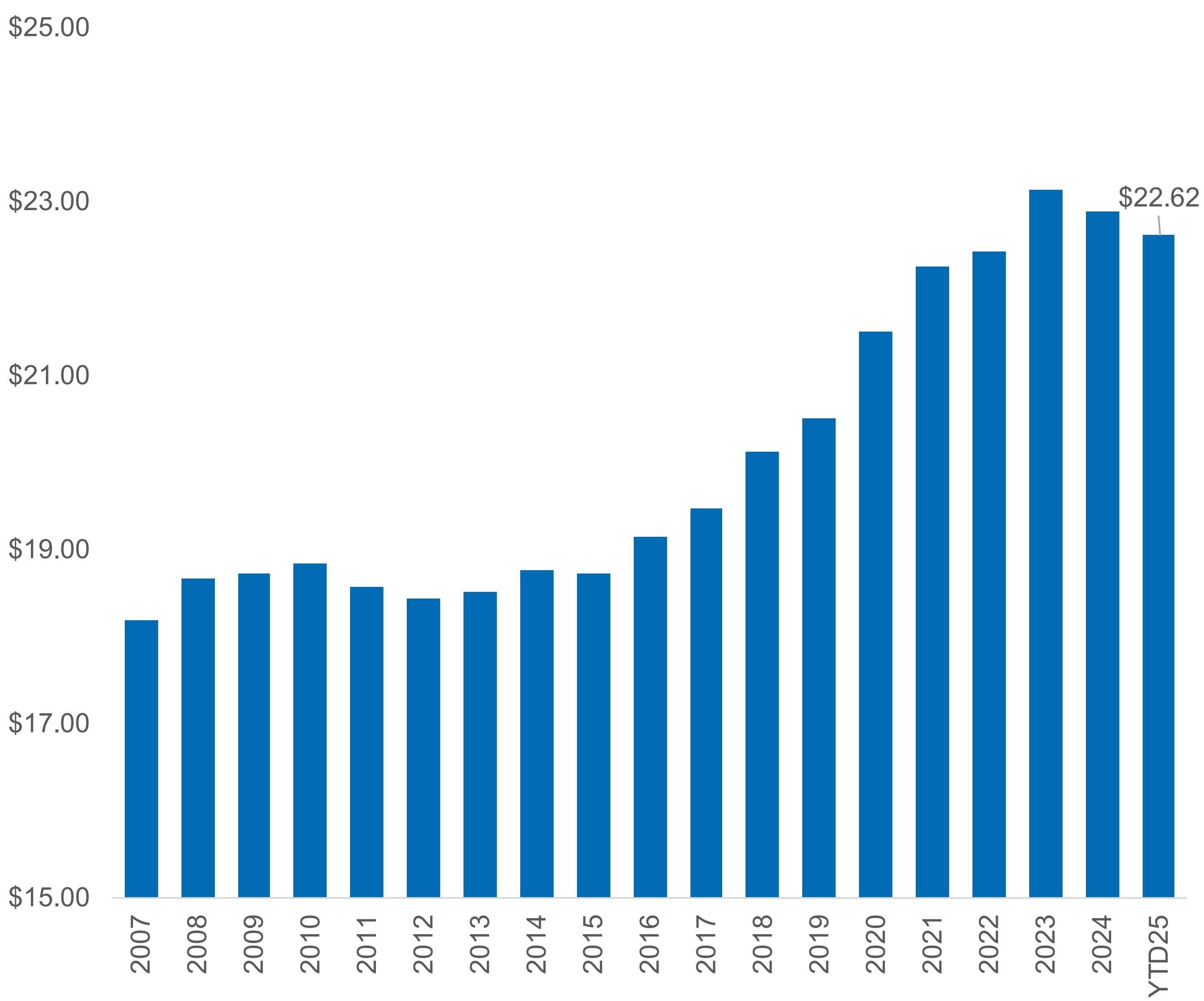


Source: Newmark Research, CoStar, St. Louis Market

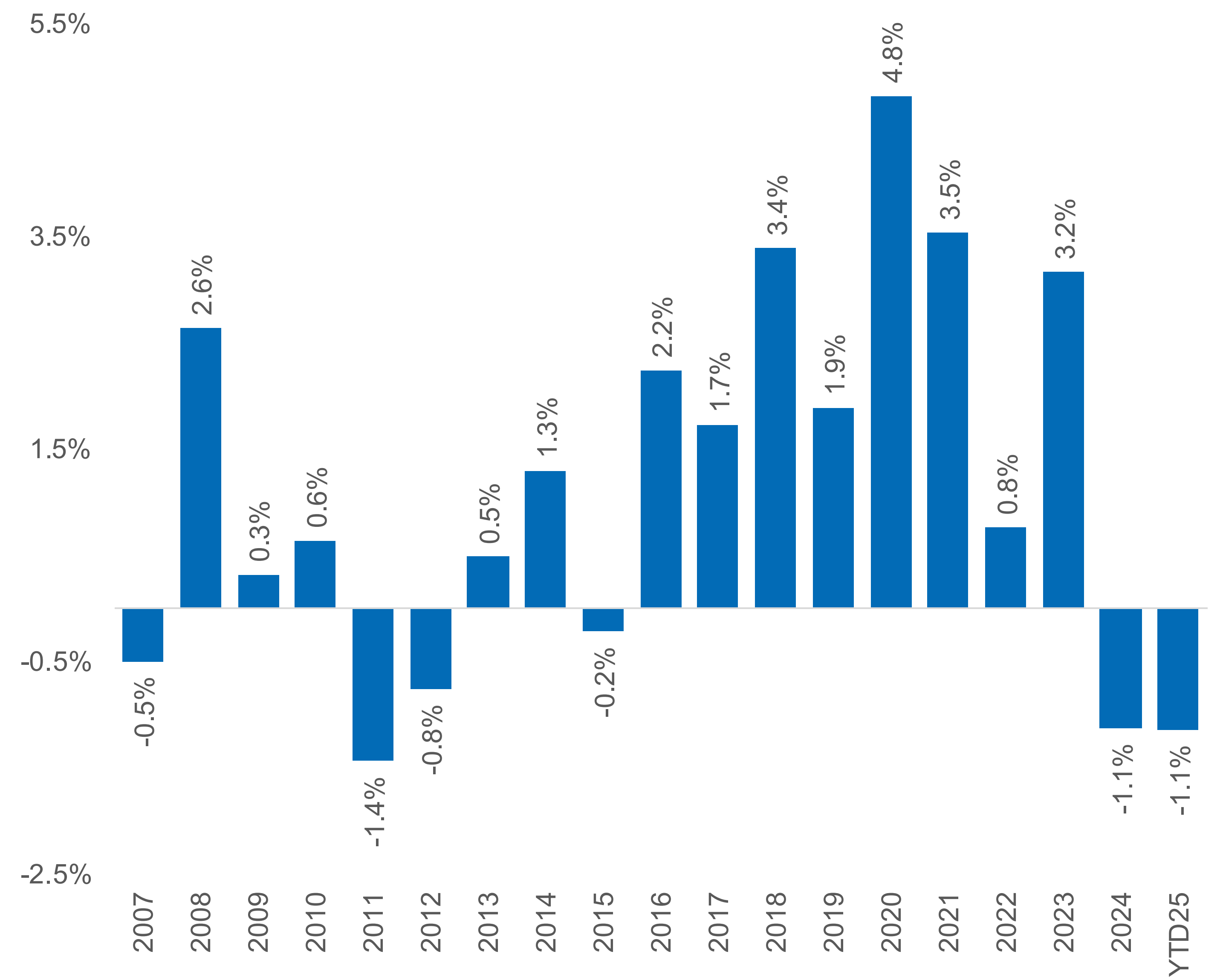
Rents Decline As Landlords Navigate Limited Liquidity

Overall asking rents declined year over year to $22.62/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

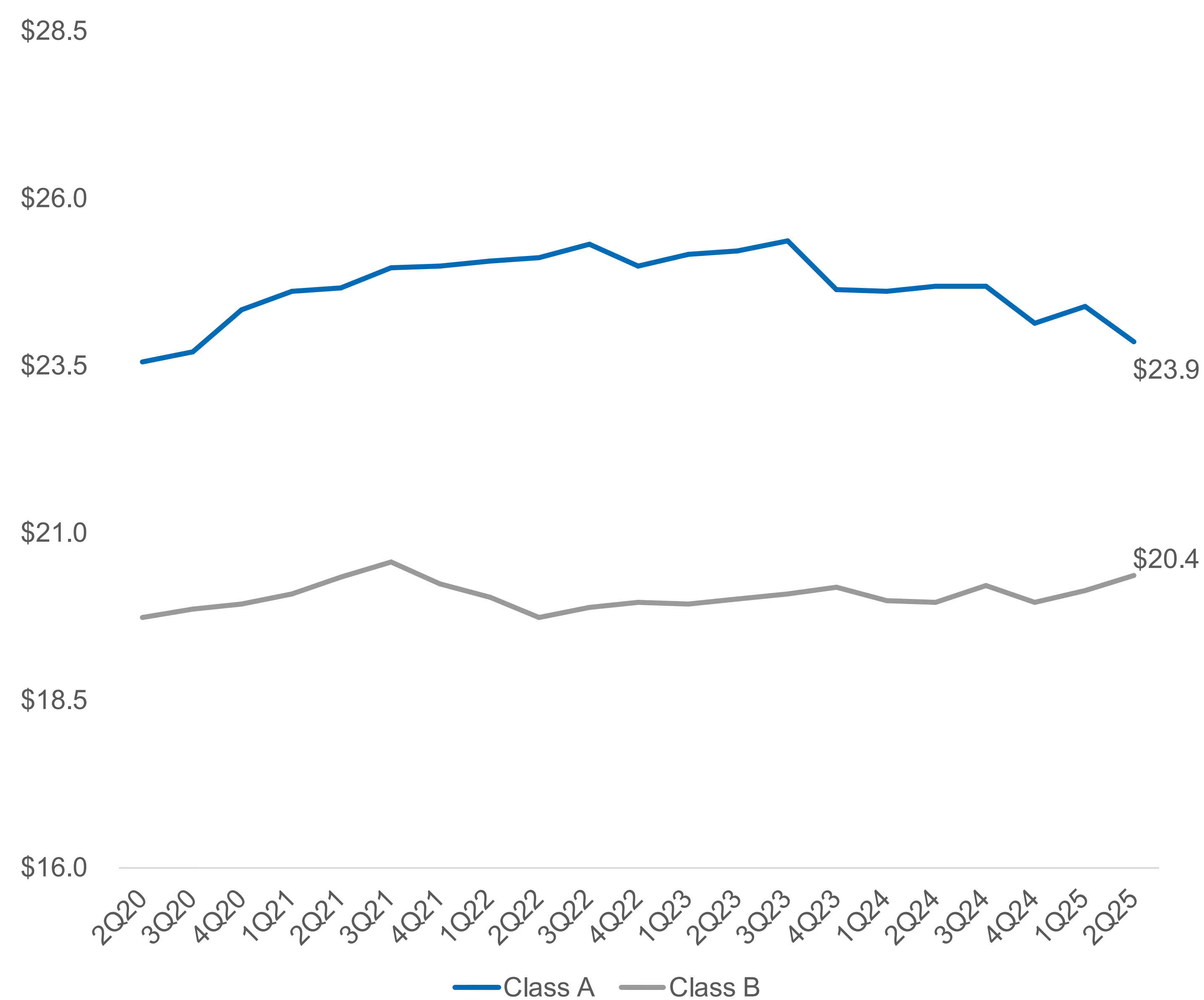


Source: Newmark Research, CoStar

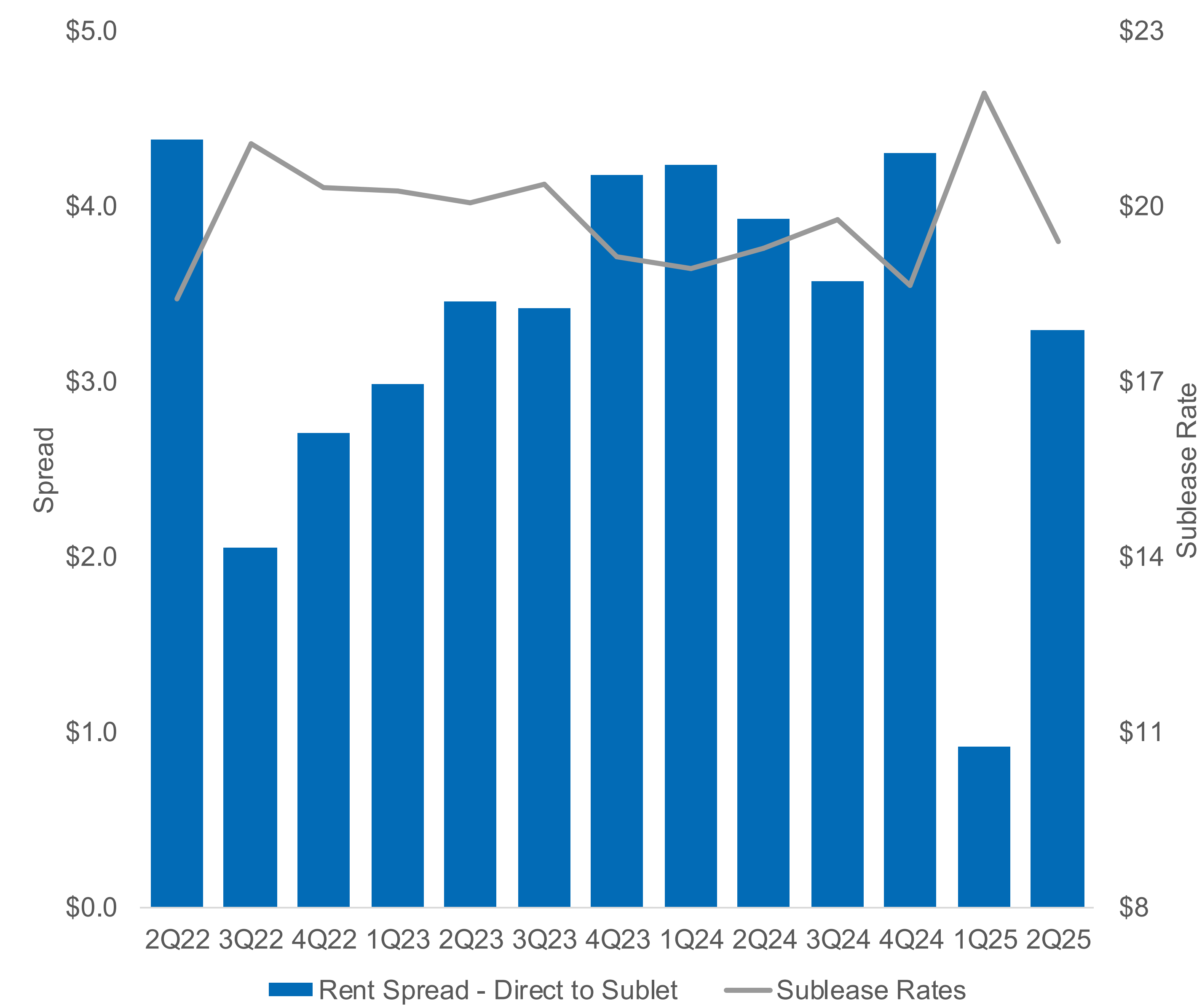
Class A Rents Compress

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 dropped to $19.40/SF in the second quarter of 2025, increasing the rent spread to $3.30/SF.

Class A and Class B Asking Rents

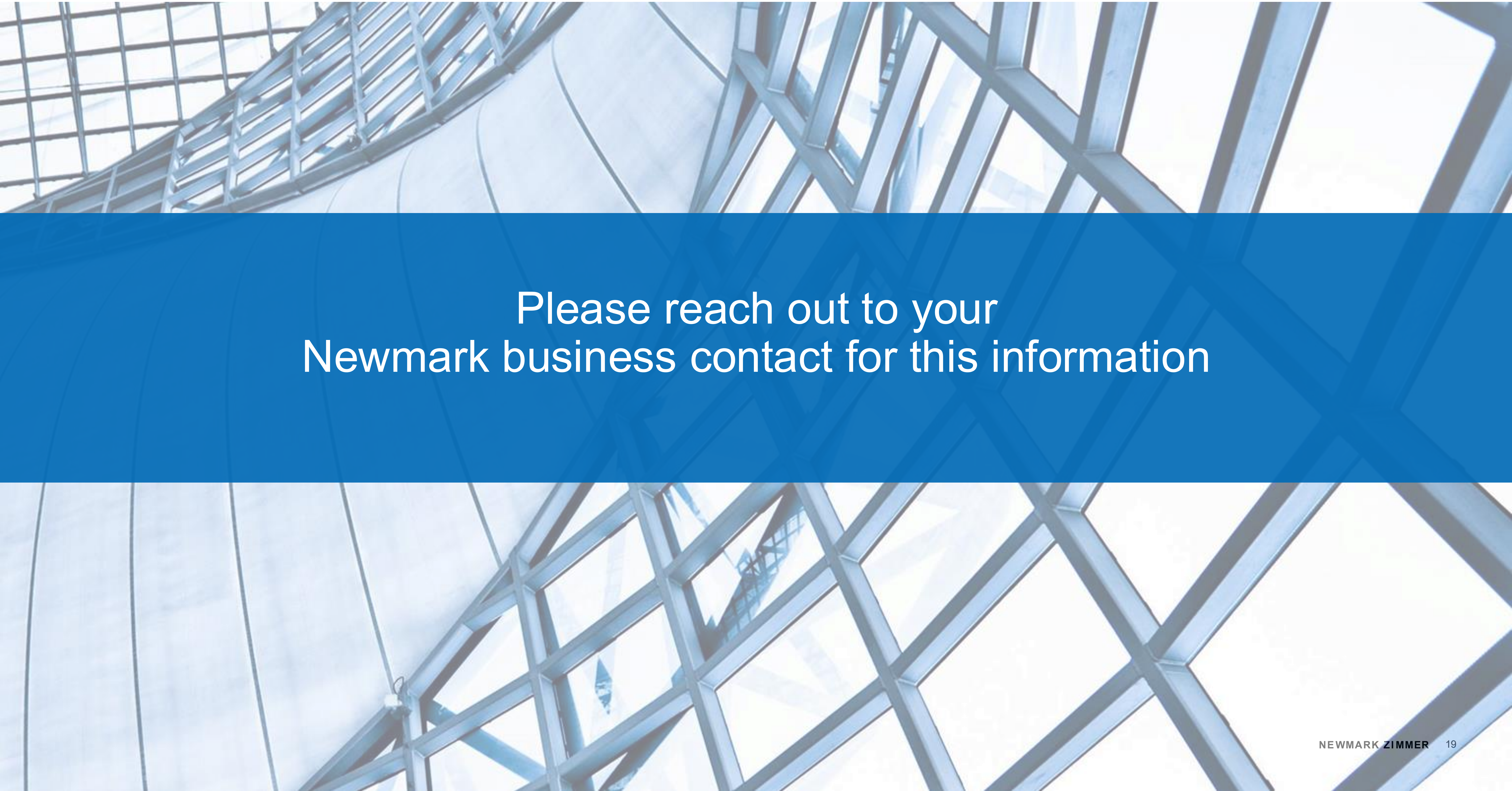


Sublease Rates



Source: Newmark Research, CoStar

Marquee Submarkets See Reversal In Rental Rate Growth Year Over Year



Please reach out to your
Newmark business contact for this information

2Q25 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 50 basis points since the second quarter of 2024.

Select Lease Transactions

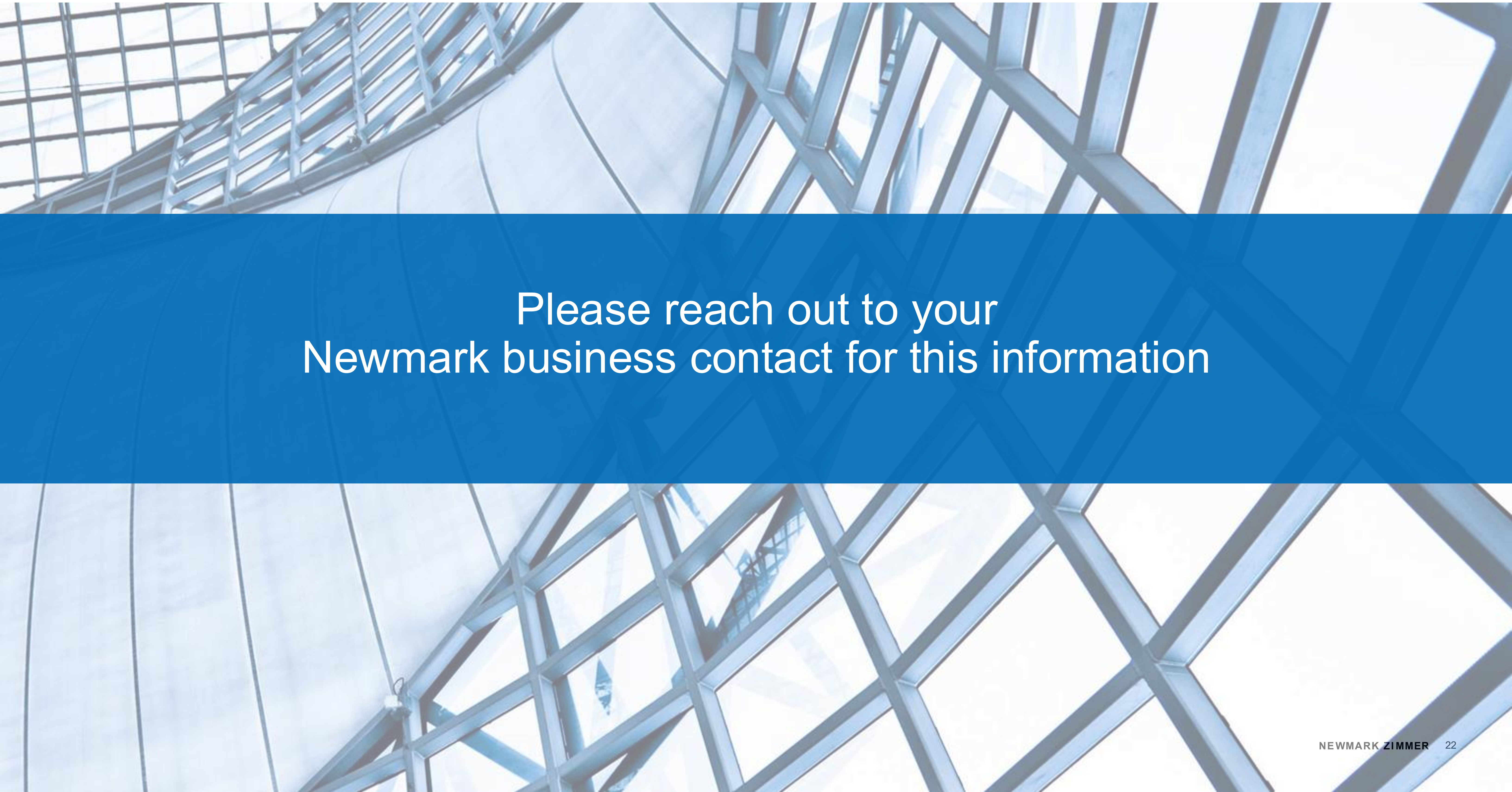
Tenant	Building(s)	Submarket	Type	Square Feet
Delta Dental	1400 S Highway Drive	South County	Direct Lease	69,000
Delta Dental agreed to lease 69,000 SF in the 400,000-SF, multi-tenant 1400 Building located at 1400 South Highway Dr. in Fenton. The asking starting rent was published at a rate of $23.50/SF prior to leasing.				
Missouri Athletic Club	7701 Forsyth Blvd	Clayton	Direct Lease	30,520
Missouri Athletic Club (MAC) announced it will open its third location at Pierre Laclede Center I at 7701 Forsyth Boulevard. The nonprofit social, business, athletic and dining club will lease 30,520 SF on the 14th and 15th floors, backfilling the former St. Louis Club space.				
KSDK	1001 Highlands Plaza Dr W	Downtown	Direct Lease	30,000
KSDK will relocate its broadcast operations center from 62,000 SF at 1000 Market St. into 30,000 SF of space at 1001 Highlands Plaza Dr. West. The asking starting rent was published at a rate of $28.50/SF prior to leasing. KSDK signed a 10-year lease with an anticipated move-in is scheduled for January 2026.				
Baker Sterchi Cowden & Rice LLC	100 S 4th St	Downtown	Direct Lease	22,800
Baker Sterchi Cowden & Rice LLC will relocate from Broadway Tower at 100 North Broadway to the Deloitte Building at 100 South 4th Street. The law firm will occupy 22,800 SF across the entire nineth floor. The asking starting rent was published at a rate of $17.75/SF prior to leasing.				
Advantage Solutions	7676 Forsyth Blvd	Clayton	Direct Lease	19,080
Advantage Solutions announced it signed a lease for 19,080 SF on the fifth floor of Centene Plaza C. The asking starting rent was published at a rate of $45.00/SF prior to leasing. An anticipated move-in is scheduled for October 2025.				

Source: Newmark Research

2Q25

Submarket Statistics

Submarket Statistics: All Classes, Class A, Class B



Please reach out to your
Newmark business contact for this information

For more information:

Mark Long, CRE, SIOR, CCIM, LEED AP
President & CEO
Newmark Zimmer
mlong@nzimmer.com

Andrew Garten
Senior Director, Research
agarten@nzimmer.com

Kansas City
1220 Washington Street, Suite 300
Kansas City, MO 64105
t 816-474-2000

Lee's Summit
1485 SW Market Street
Lee's Summit, MO 64081
t 816-474-2000

nmrkzimmer.com

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.

NEWMARK
ZIMMER