

3Q25

St. Louis Office Market Overview



Market Observations

Economy

- The region's labor market loosened as macroeconomic conditions shifted. August's unemployment rate increased to 4.7%, 40 basis points above the national average of 4.3%.
- Year-over-year, job growth was strongest in the Education and Health sector, followed by Leisure and Hospitality. Information and Manufacturing 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 all three office-occupying sectors compared to the prior year.

Major Transactions

- The \$1.7 billion, 97-acre NGA West Campus officially opened in September at 2301 Cass Ave. The new campus includes an eight-story, 712,000-SF Class A building located in the St. Louis Place neighborhood.
- Biotech firm C2N Diagnostics announced it will anchor the \$100 million redevelopment of the Goodwill Building by Washington University within the Cortex Innovation District. C2N will occupy 82,450 SF of the six-story, 162,870-SF property to relocate its headquarters and open an expanded research laboratory.
- Law firm Thompson Coburn LLP relocated from Belleville, IL into 12,000 SF of space on the entire third floor of The Blade building at 1405 North Green Mount Rd. in O'Fallon, IL.

Leasing Market Fundamentals

- The market loosened during the quarter with negative 392,241 SF of net absorption, bringing the four-quarter total to negative 65,588 SF. This marks six out of the past twelve quarters with positive absorption, as tenants continue to reassess market conditions. The West County and Clayton submarkets registered 237,894 SF and 200,984 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 69,000 SF currently under construction.
- Vacancy increased 50 basis points to 13.9% during the quarter but is expected to remain stable in 2026 as the market recalibrates. Year-over-year, asking rental rates dropped 3.3% to \$22.28/SF.

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% in 2026 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.

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

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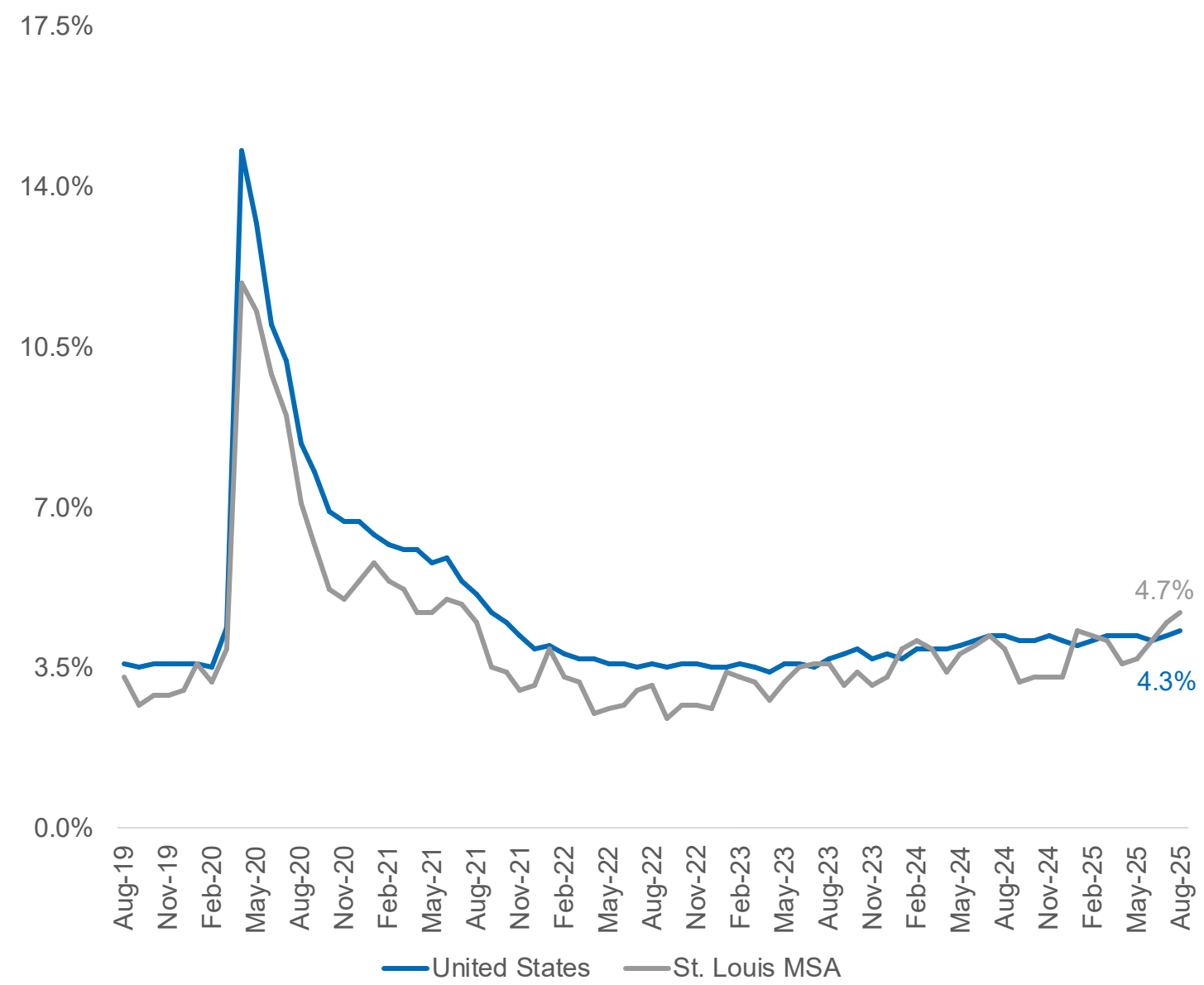
Economy



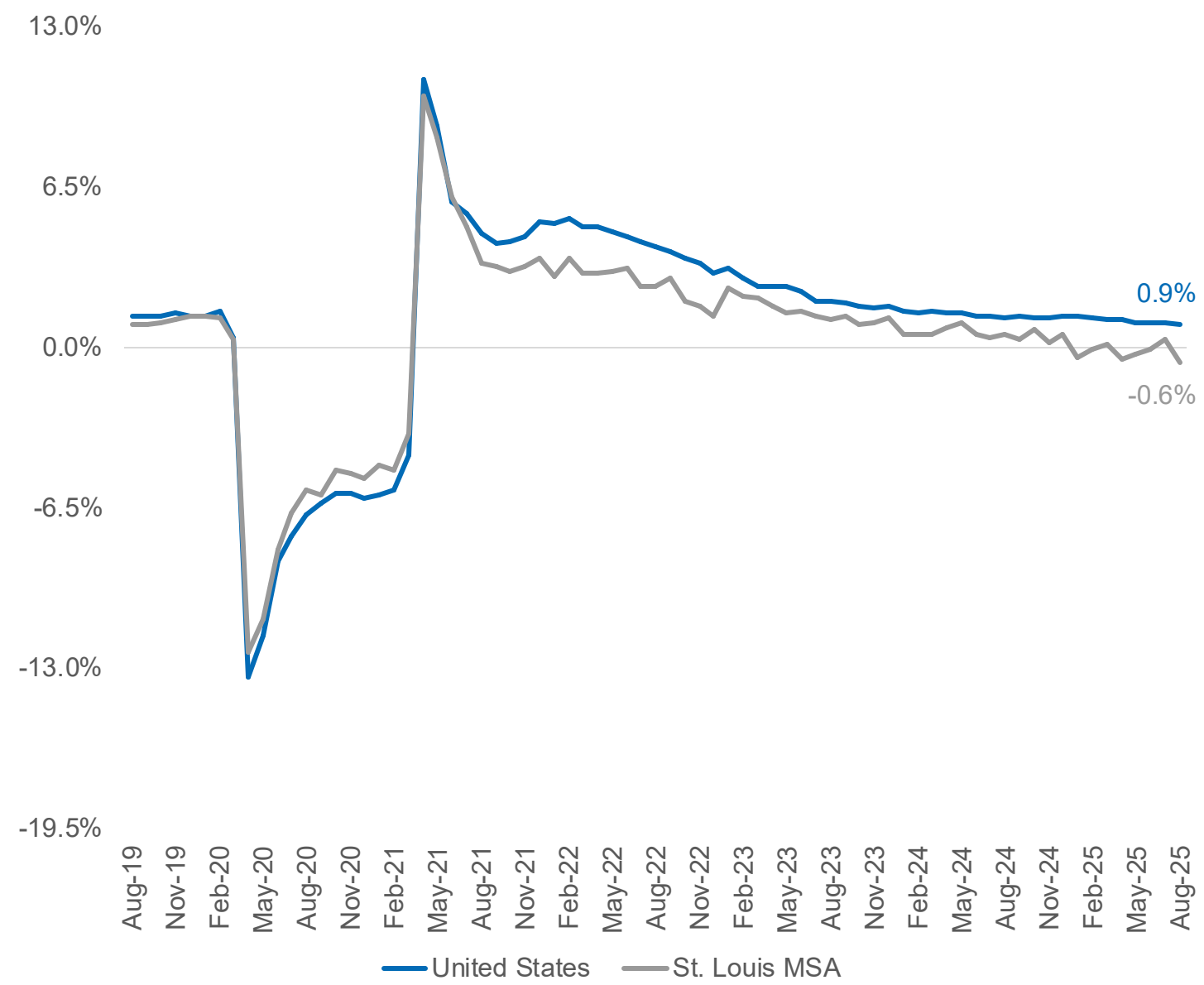
Metro Employment Trends Signal Increasing Unemployment

The St. Louis region’s labor market loosened as unemployment increased 100 basis points from the previous quarter. The regional unemployment rate now stands 40 basis points above the national average, signaling economic rigidity. Nonfarm payroll employment in the region remains in negative territory at negative 0.6%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined modestly to 0.25, while momentum decelerated modestly to -0.32 in August 2025.

Unemployment Rate, Non-Seasonally Adjusted



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



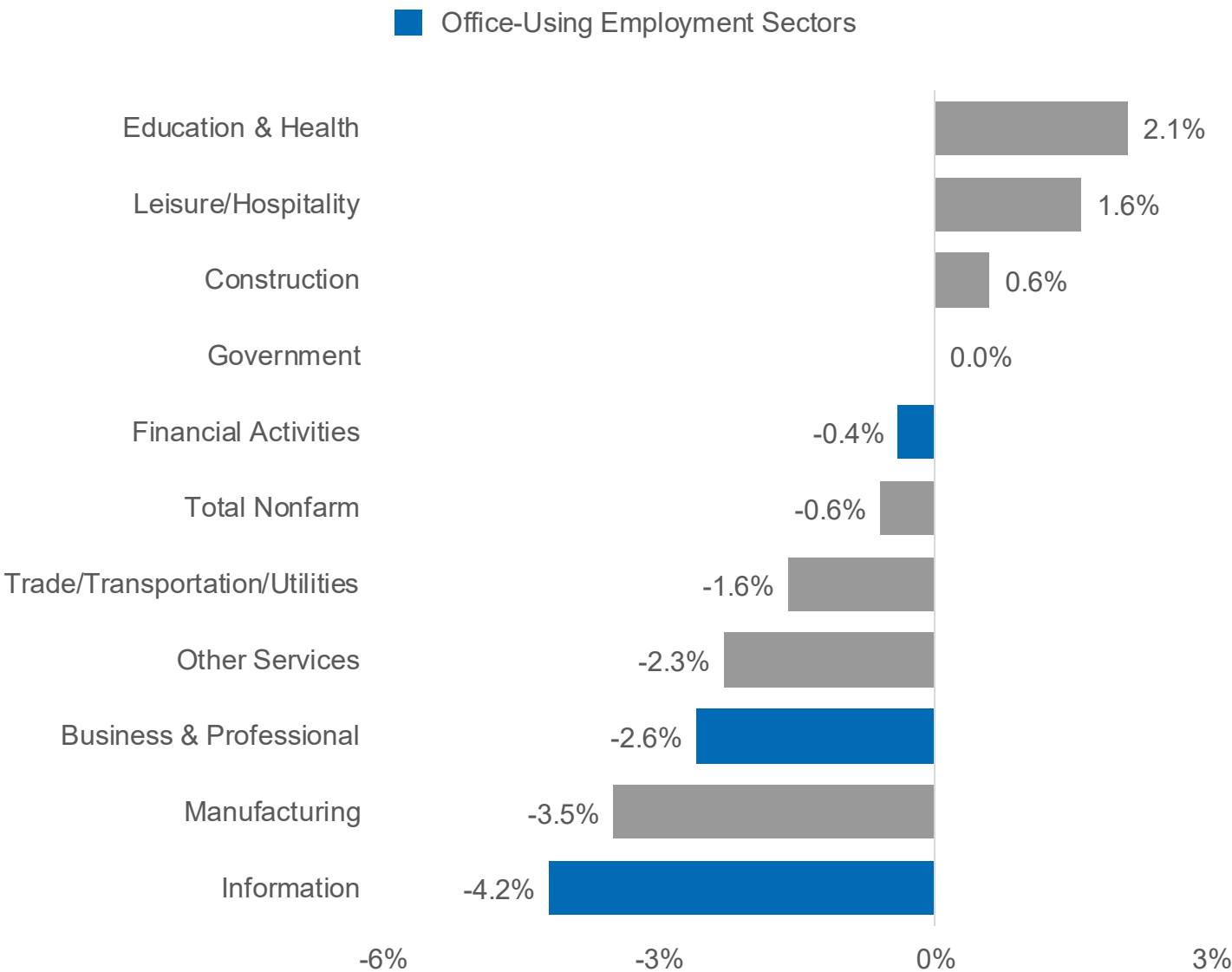
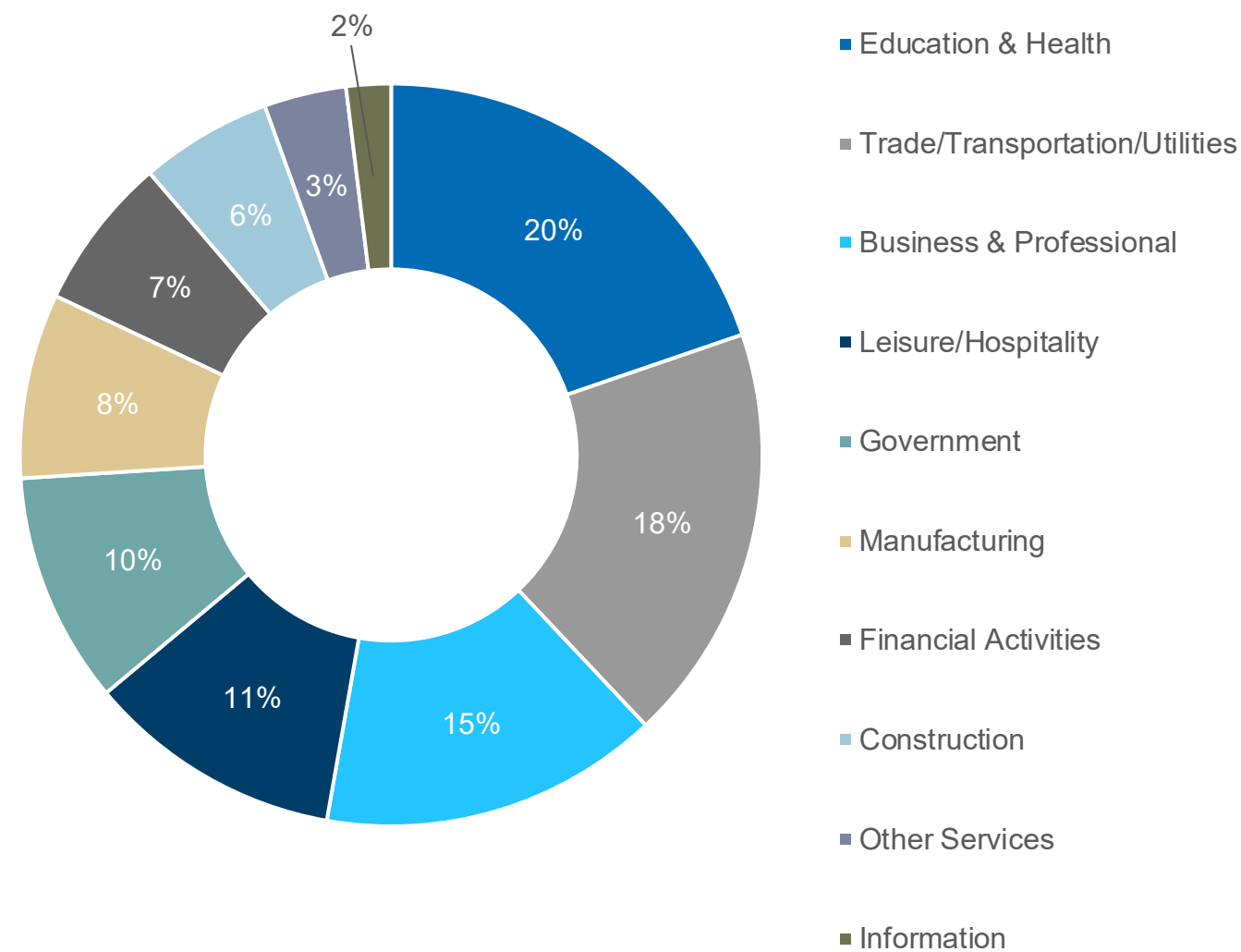
Source: U.S. Bureau of Labor Statistics, St. Louis MSA

Education and Health and Leisure/Hospitality Sectors Lead Regional Job Gains

The Education and Health sector led regional annual job growth, followed by Leisure/Hospitality. The Information and Manufacturing sectors posted the largest job losses, with declines of 4.2% and 3.5%, respectively. All three office-occupying industries, reported annual job losses.

Employment by Industry, August 2025

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

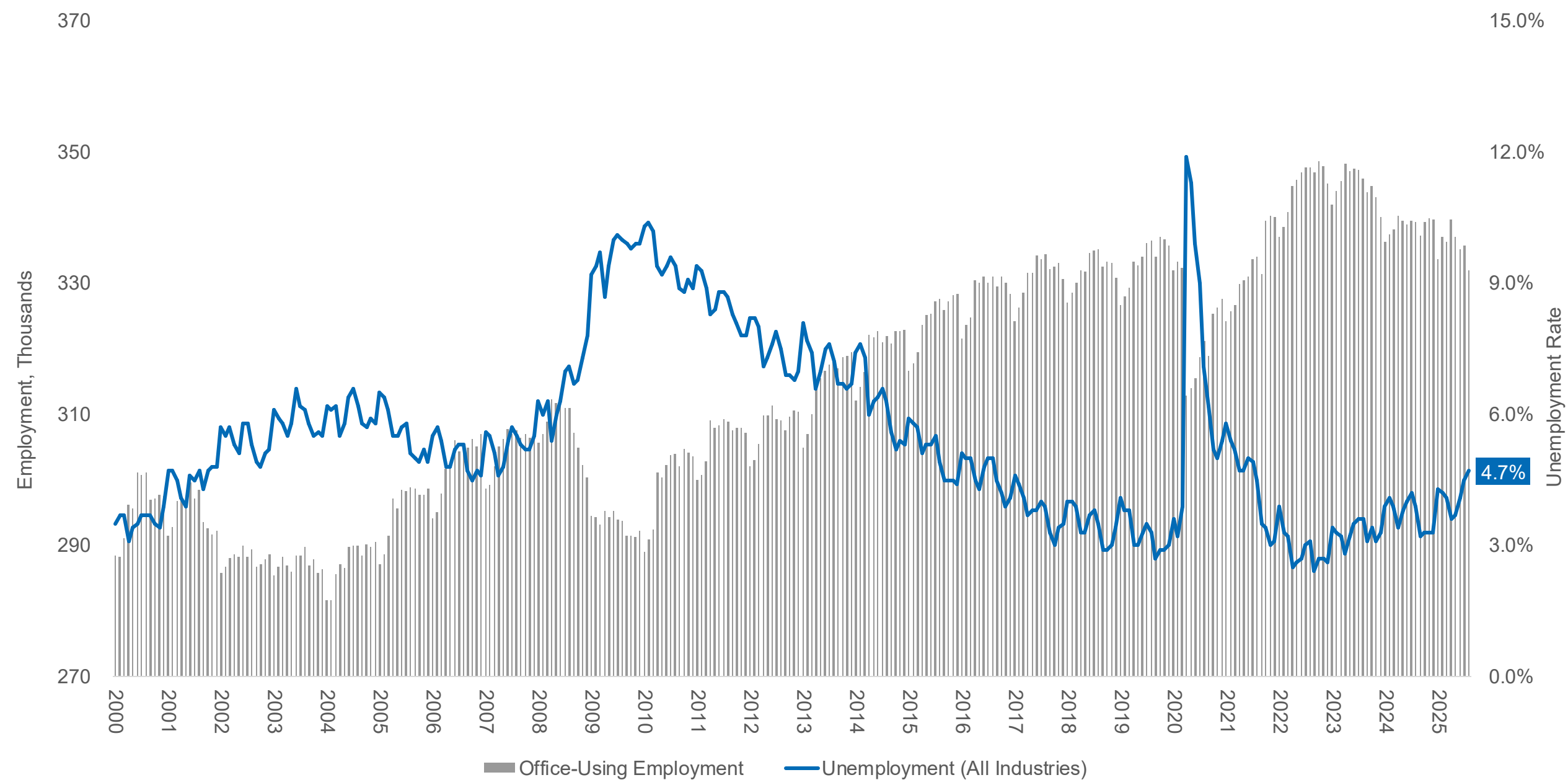


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

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 for the remainder of 2025.

Office-Using Employment* and Unemployment Across All Industries



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

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Leasing Market Fundamentals



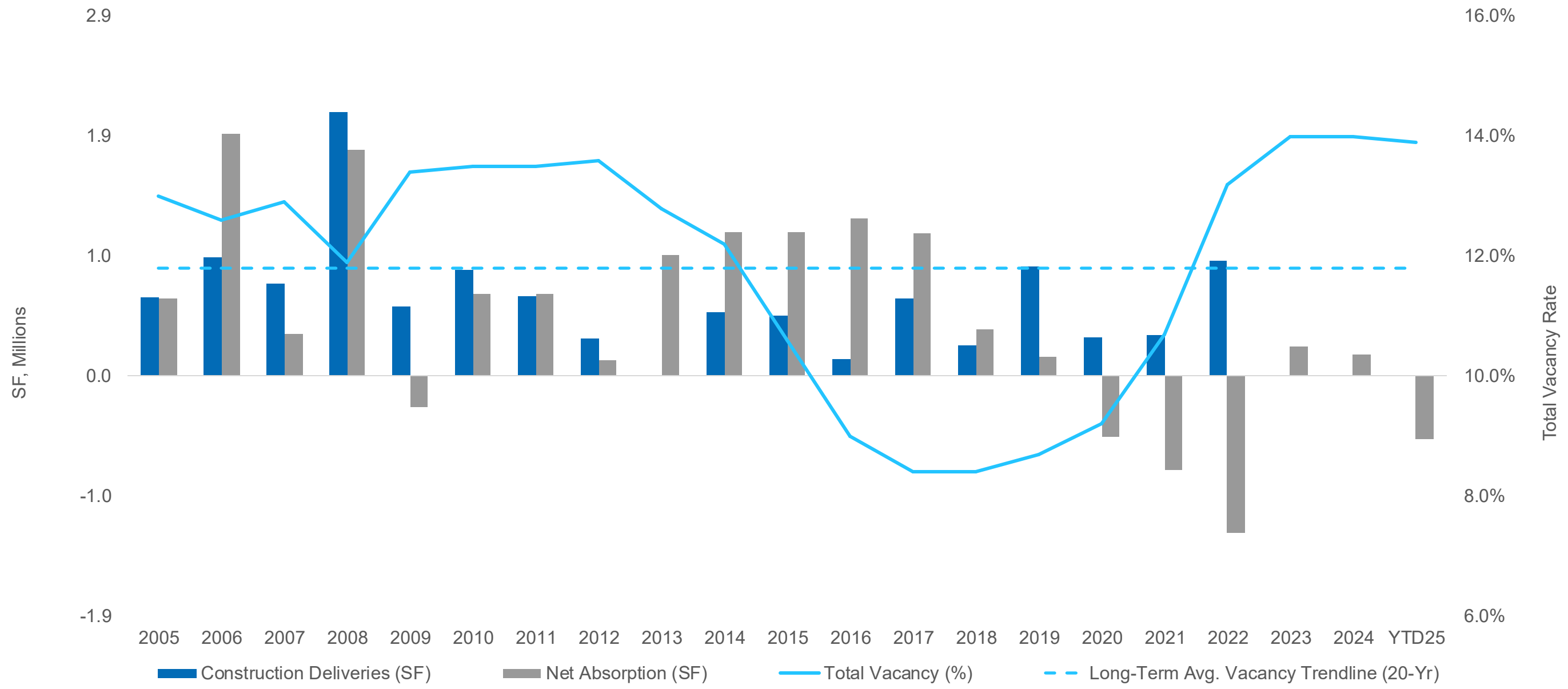
Market Overview

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Vacancy Stabilizing As Market Recalibrates

Vacancy decreased 10 basis points year over year to 13.9% 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 the next four quarters. 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.

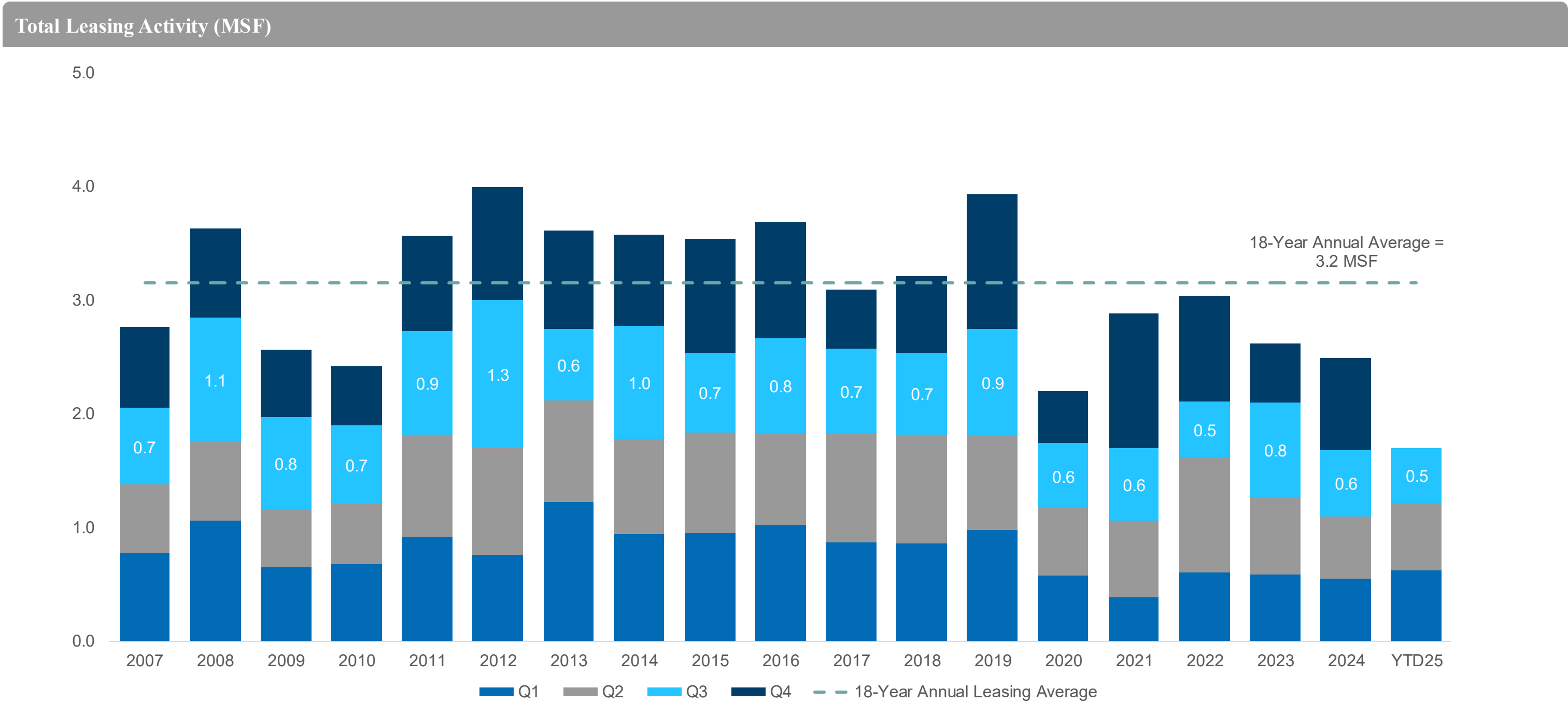
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Remains Muted Across Metro

Leasing activity in the third quarter of 2025 totaled 481,927 SF, a 22.8% decrease compared to the third-quarter average from 2020 to 2024. Over the past four quarters, activity remained 20.6% 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.



Source: Newmark Research, CoStar

Macroeconomic Uncertainty and Financing Challenges Reduce Leasing Volume

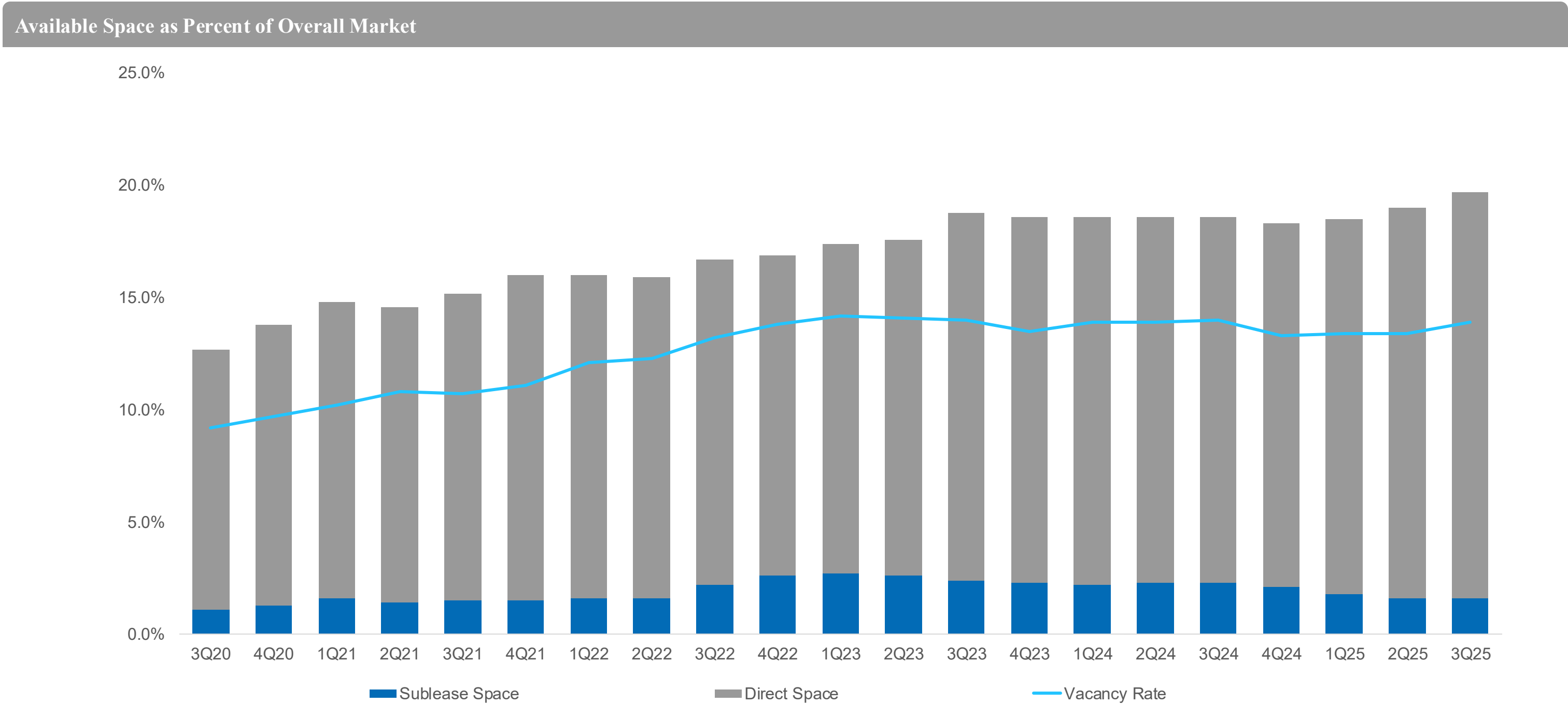
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Leasing Activity Down in Most Submarkets Compared to Pre-Pandemic Levels

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Direct Availability Increases; Sublease Availability Remains At 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 begin declining starting in 2026, while sublease availability has already dropped from 2.7% in the first quarter of 2023 to 1.6% in the third quarter of 2025.



Source: Newmark Research

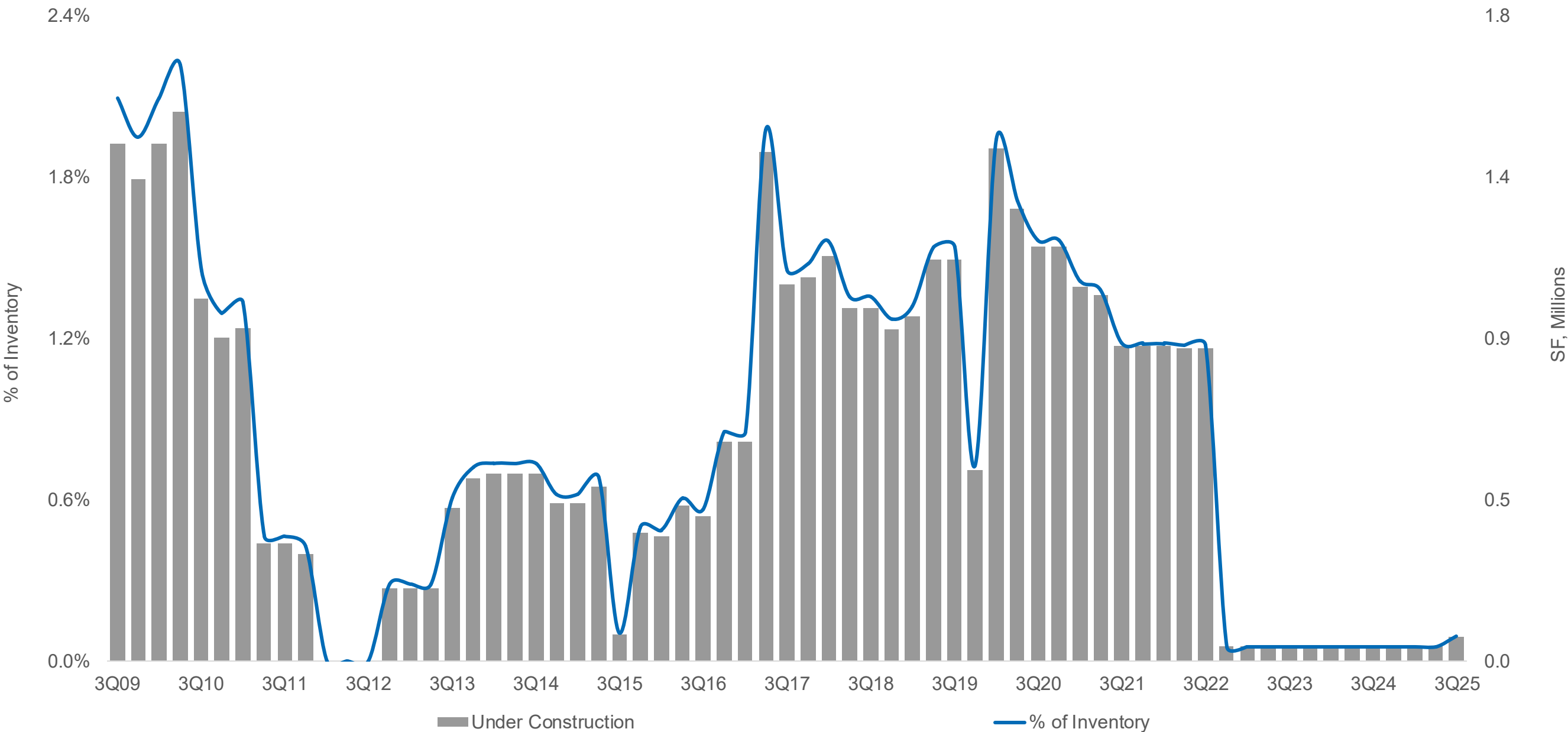
North County Experiences Largest Availability Rate Increase

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New Construction Remains Limited While Vacancy At 13.9%

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 13.9% continues to suppress speculative development.

Office Under Construction and % of Inventory

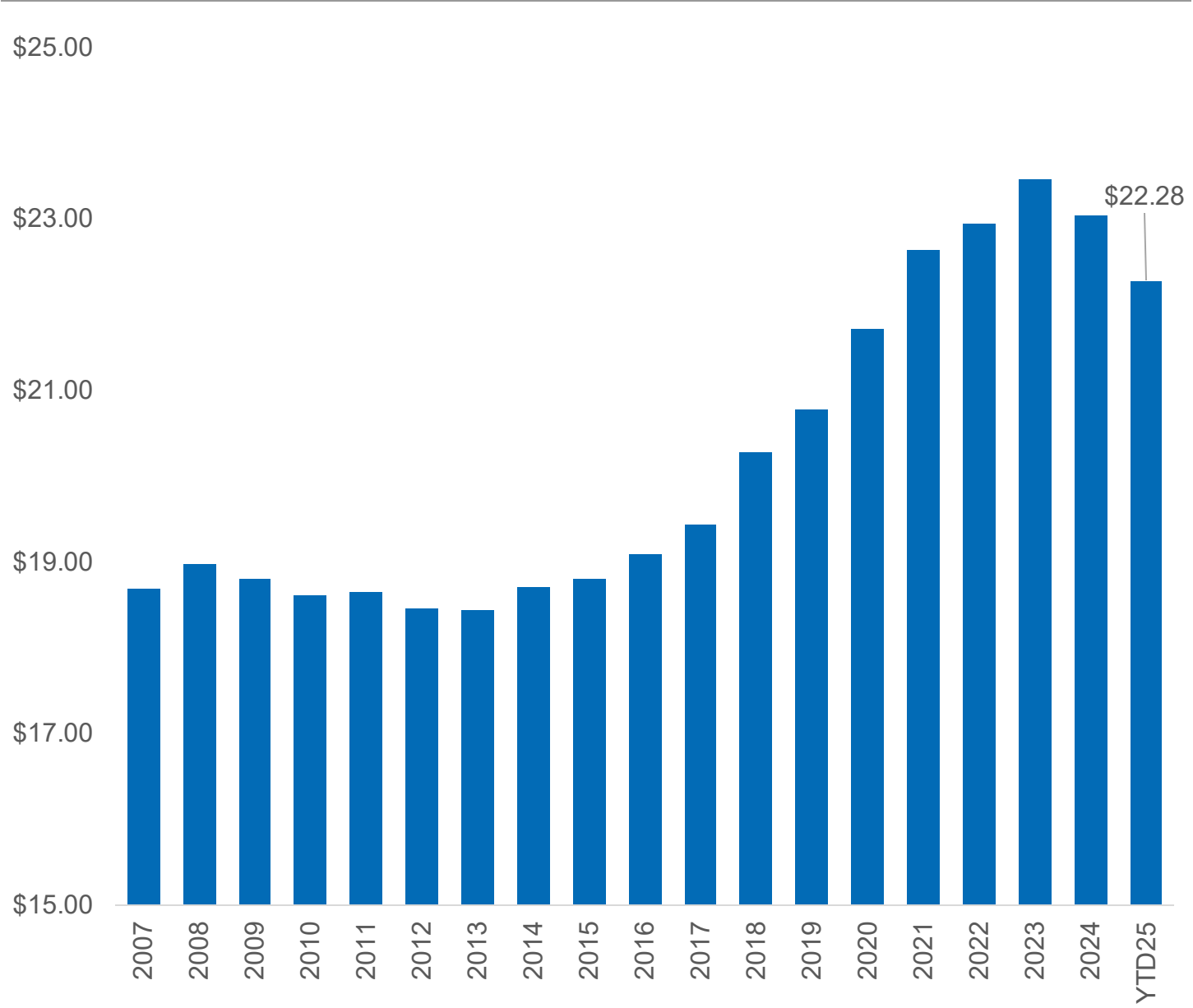


Source: Newmark Research, CoStar, St. Louis Market

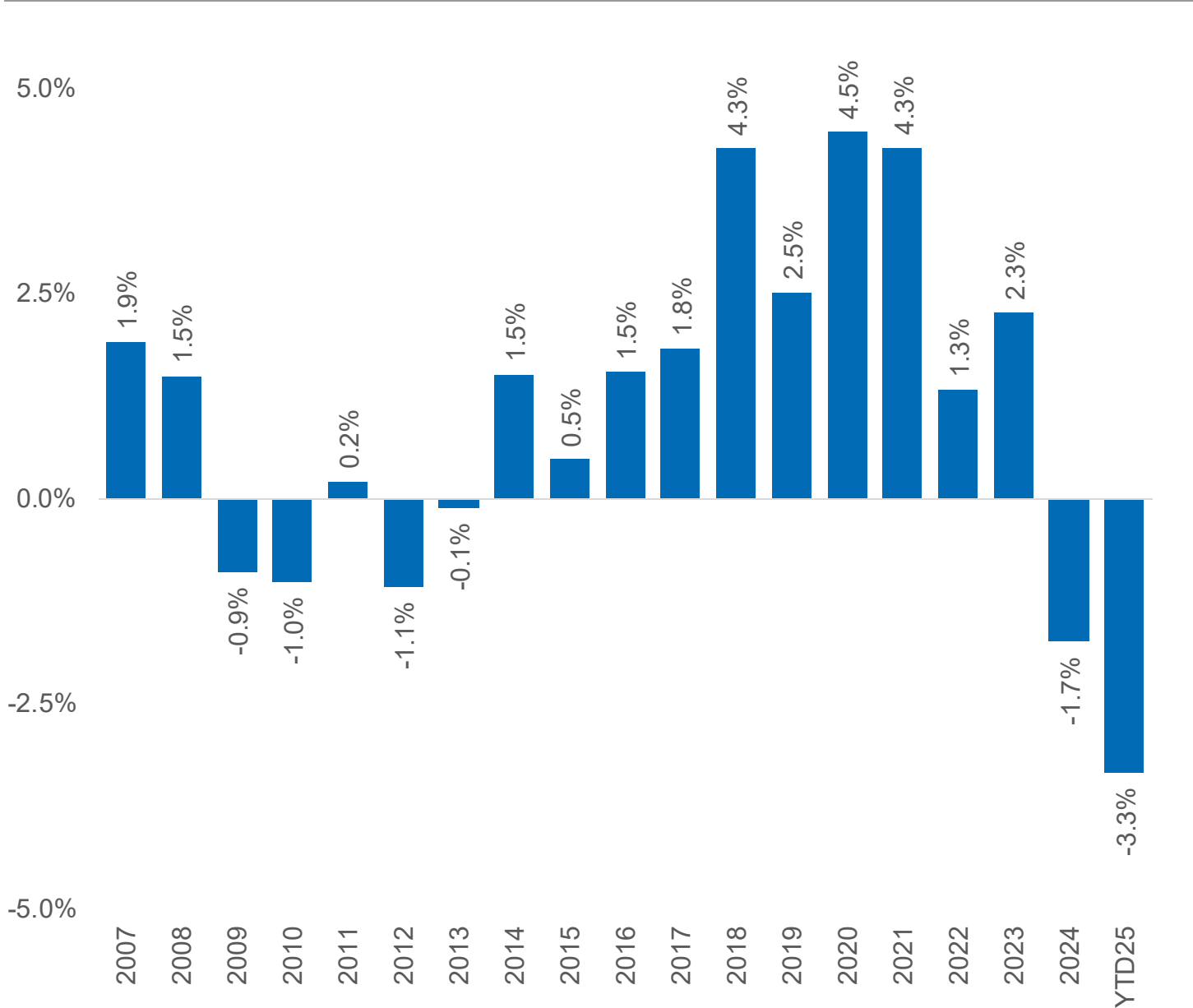
Rents Decline As Landlords Navigate Limited Liquidity

Overall asking rents declined year over year to \$22.28/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

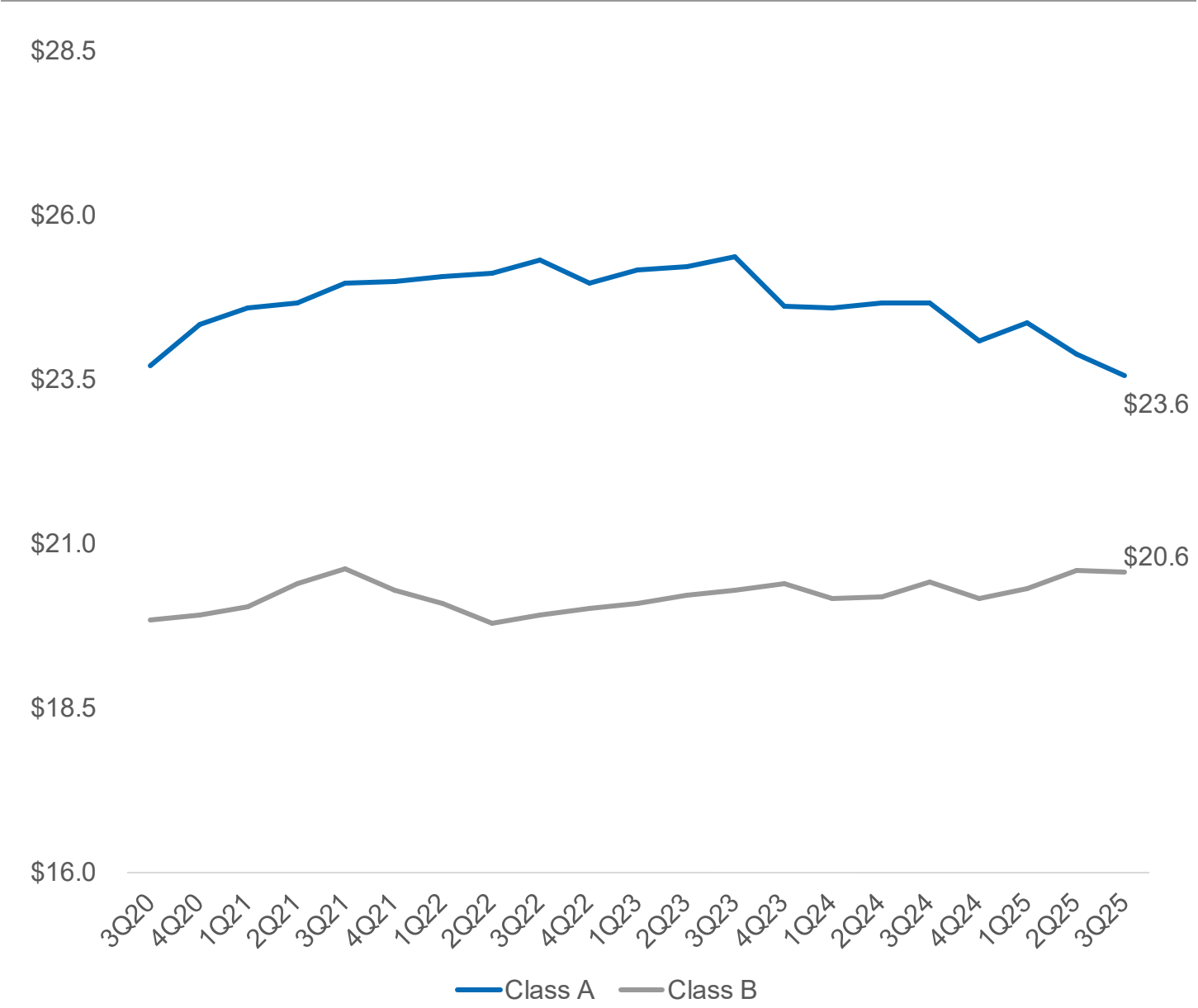


Source: Newmark Research, CoStar

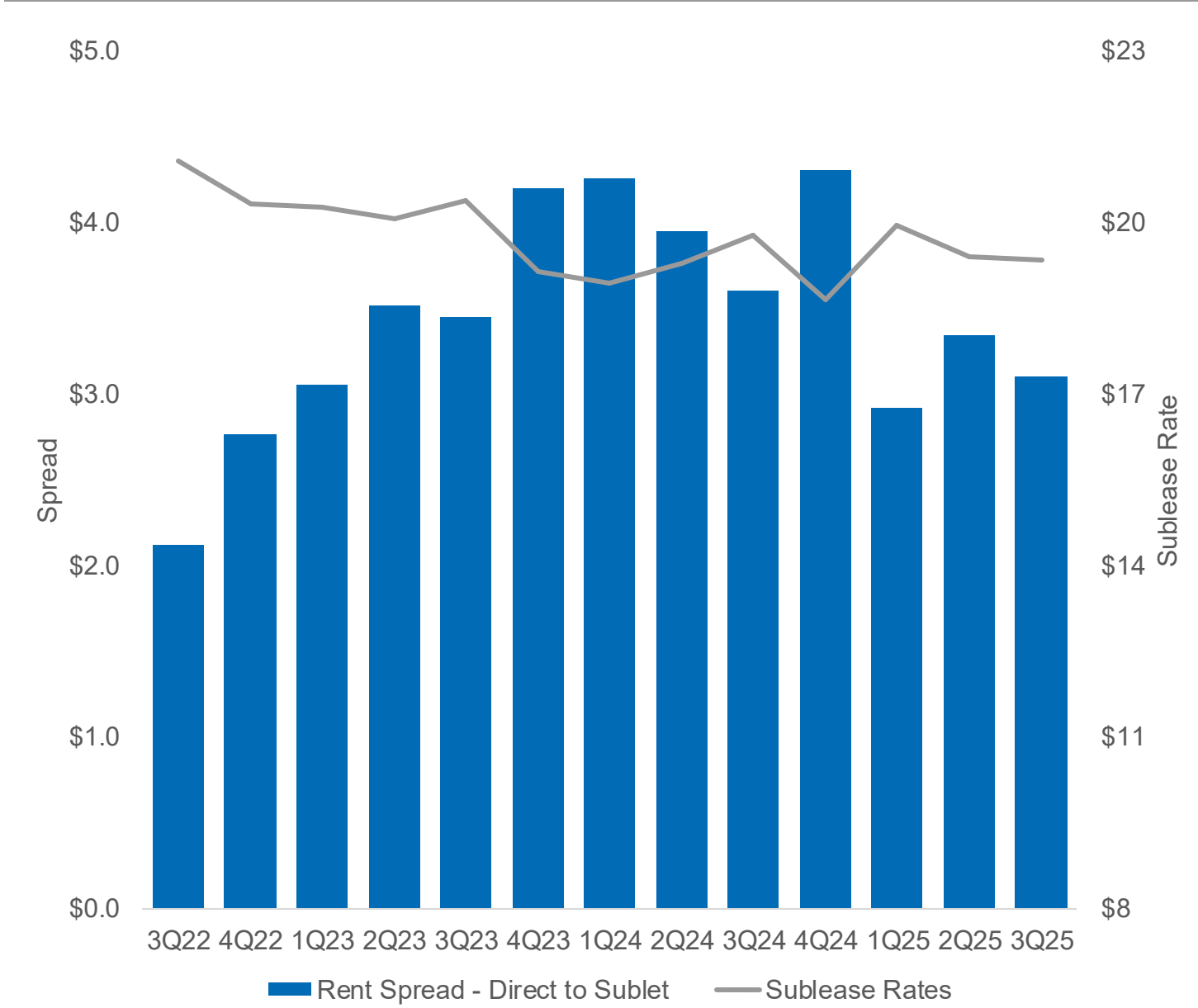
Class A Rents Compress

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 extended into select secondary and tertiary markets, including St. Louis. Sublease rents dropped to \$19.36/SF in the third quarter of 2025, reducing the rent spread to \$3.10/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

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3Q25 Notable News & 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 will continue to contribute market stabilization, with vacancy at 13.9% as of the third quarter of 2025.

Select News & Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
National Geospatial-Intelligence Agency	2301 Cass Avenue	Downtown	Construction Delivery	712,000
The \$1.7 billion, 97-acre NGA West Campus officially opened in September at 2301 Cass Ave. The new campus includes an eight-story, 712,000-SF Class A building located in the St. Louis Place neighborhood. Construction originally commenced in 2019 on the project. The NGA employs approximately 3,150 people in St. Louis.				
C2N Diagnostics	4140 Forest Park Avenue	Downtown	Direct Lease	82,450
Biotech firm C2N Diagnostics announced it will anchor the \$100 million redevelopment of the Goodwill Building by Washington University within the Cortex Innovation District. C2N will occupy 82,450 SF of the six-story, 162,870-SF property to relocate its headquarters and open an expanded research laboratory.				
Thompson Coburn LLP	1405 N Green Mount Road	Metro East	Direct Lease	12,000
Thompson Coburn LLP relocated from 525 West Main St. in Belleville, IL into The Blade building at 1405 North Green Mount Rd. in O’Fallon, IL. A total of 25 employees, including 13 lawyers, moved into 12,000 SF of space and occupy the entire third floor of the building. The asking rental rates of \$28.00/SF to \$29.00/SF have been recently posted for similar sizes of available space at The Blade.				
STL Oncology & Radiology	641 N New Ballas Road	Mid County	Direct Lease	9,450
STL Oncology and Radiology signed a seven-year lease for 9,450 SF of space at 641 North New Ballas Rd. in Creve Coeur, MO. The asking starting rent was published at a rate of \$30.00/SF prior to leasing. An anticipated move-in is scheduled for December 2025.				
Title Partners	12444 Powerscourt Drive	West County	Direct Lease	4,740
Title Partners announced it signed a lease for 4,740 SF on the second floor of the Manchester/270 Office Center at 12444 Powerscourt Dr. in Des Peres, MO. The asking starting rent was published at a rate of \$30.00/SF prior to leasing.				

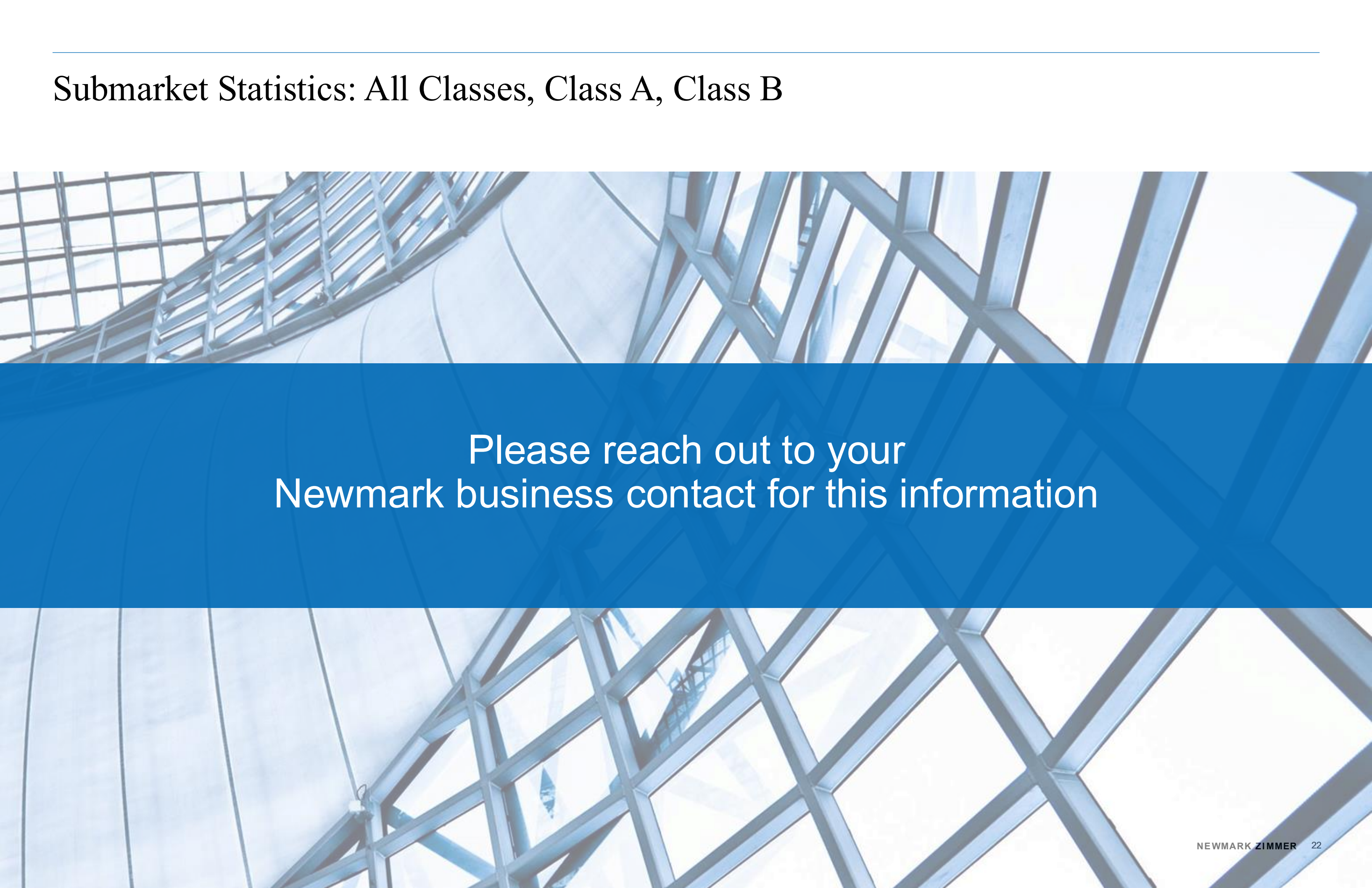
Source: Newmark Research

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Submarket Statistics



Submarket Statistics: All Classes, Class A, Class B



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