

4Q25 St. Louis Office Market: **Market Overview**

4Q25

St. Louis Market Observations



Labor Markets

- The region's labor market loosened as macroeconomic conditions shifted. September's unemployment rate increased to 4.1%, 30 basis points below the national average of 4.4%.
- Year-over-year, job growth was strongest in the Education and Health sector, followed by Financial Activities. 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 two out of three office-occupying sectors compared to the prior year.



Leasing Market Fundamentals

- The market loosened during the quarter with negative 486,900 SF of net absorption, bringing the 2025 total to negative 616,607 SF. This marks eight out of the past twelve quarters with negative absorption, as tenants continue to reassess market conditions.
- The construction pipeline has remained inactive since the third quarter of 2022, with 231,870 SF currently under construction.
- Vacancy increased 70 basis points to 14.2% in the quarter due primarily to Anthem Blue Cross and Blue Shield in Missouri's 330,000-SF exit from 1831 Chestnut St. in Downtown West. Vacancy is expected to range from 14.0% to 14.5% in 2026.
- Average asking rental rates declined to \$22.25/SF in the quarter. Rates are projected to remain flat in 2026.



Major Transactions

- Par Health, Inc. renewed its 124,170-SF lease for an additional two-year term at its headquarters location at 675 James S McDonnell Blvd. in Hazelwood.
- Peabody Energy will relocate its headquarters from Peabody Plaza at 701 Market St. into 57,810 SF at 1245 J.J. Kelley Memorial Dr. in Des Peres. After more than 70 years located downtown, the firm is another key tenant in an already extensive list of companies exiting the CBD office submarket.
- Nidec Motor Corp. will relocate a portion of its employees from the former Emerson campus into 51,340 SF of space at Creve Coeur Pointe. The move will continue to backfill the former Centene space which was vacated in 2023.
- Exegy, Inc. renewed its 14,450-SF lease on the first floor of the 42,320-SF building located at 349 Marshall Ave. in Webster Groves.
- Insurance and financial services company, Nationwide, signed a lease for 8,110 SF on the second floor at 5401 Veterans Memorial Pkwy. in St. Peters.



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 14.0% 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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Economy

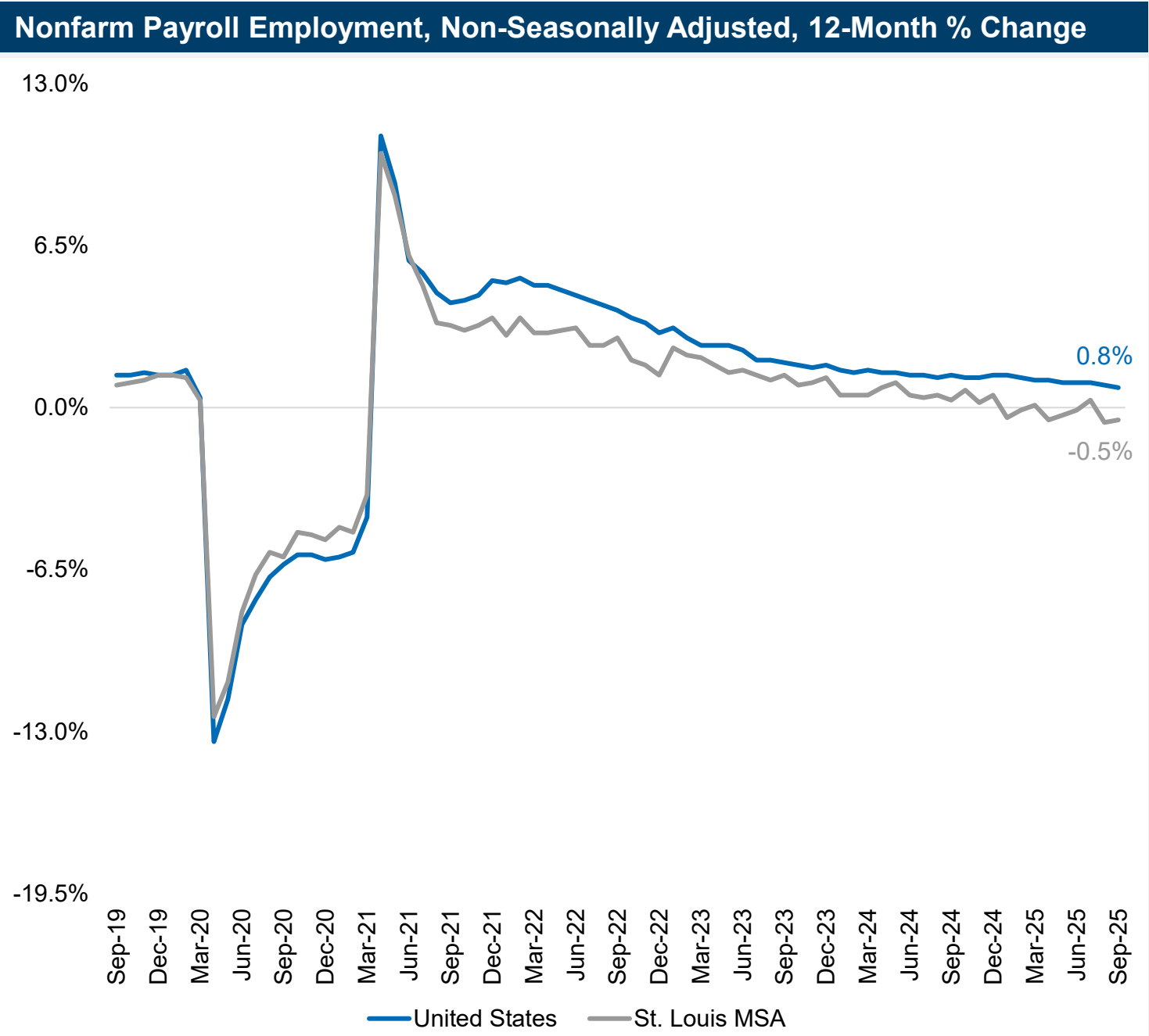
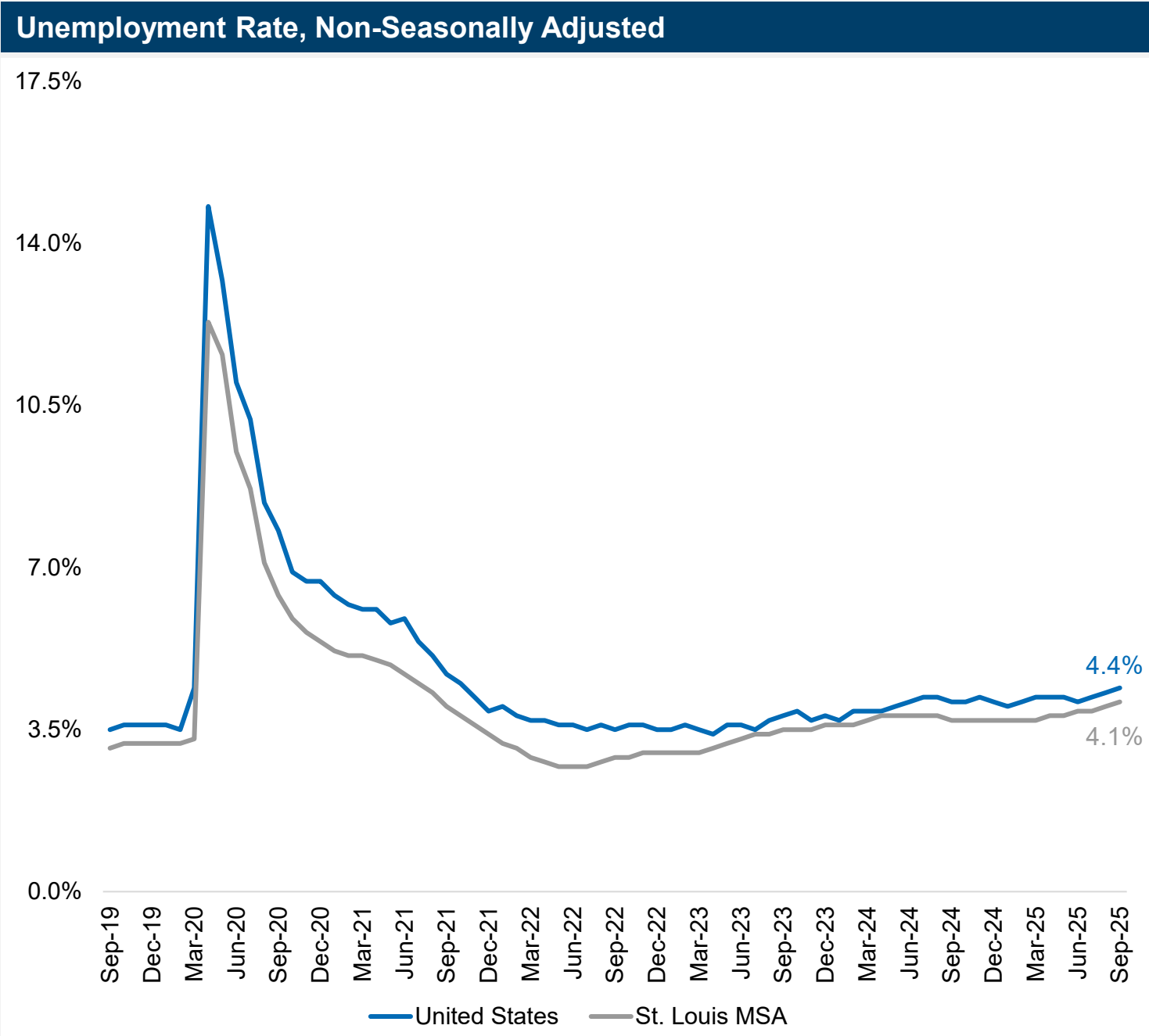
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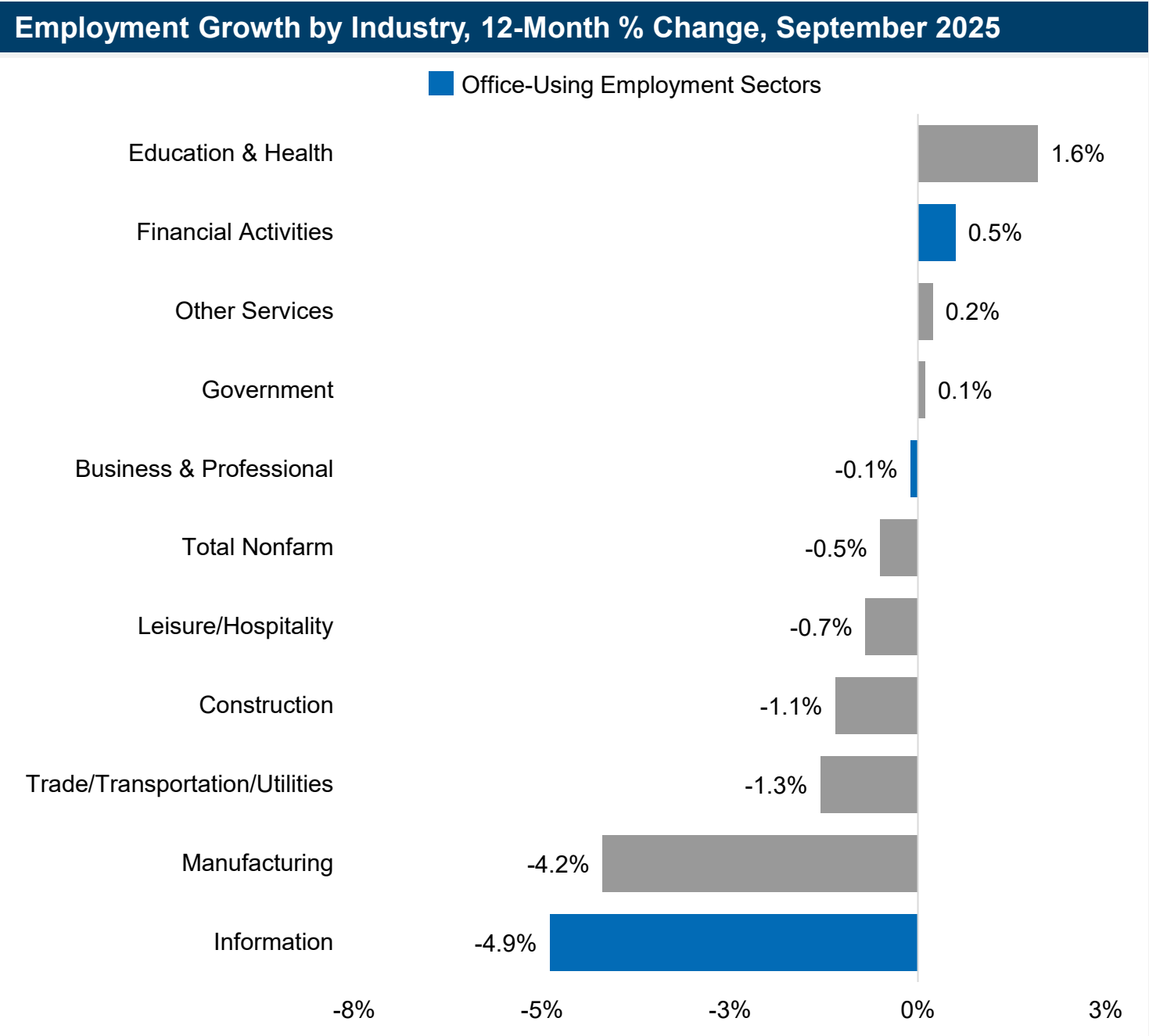
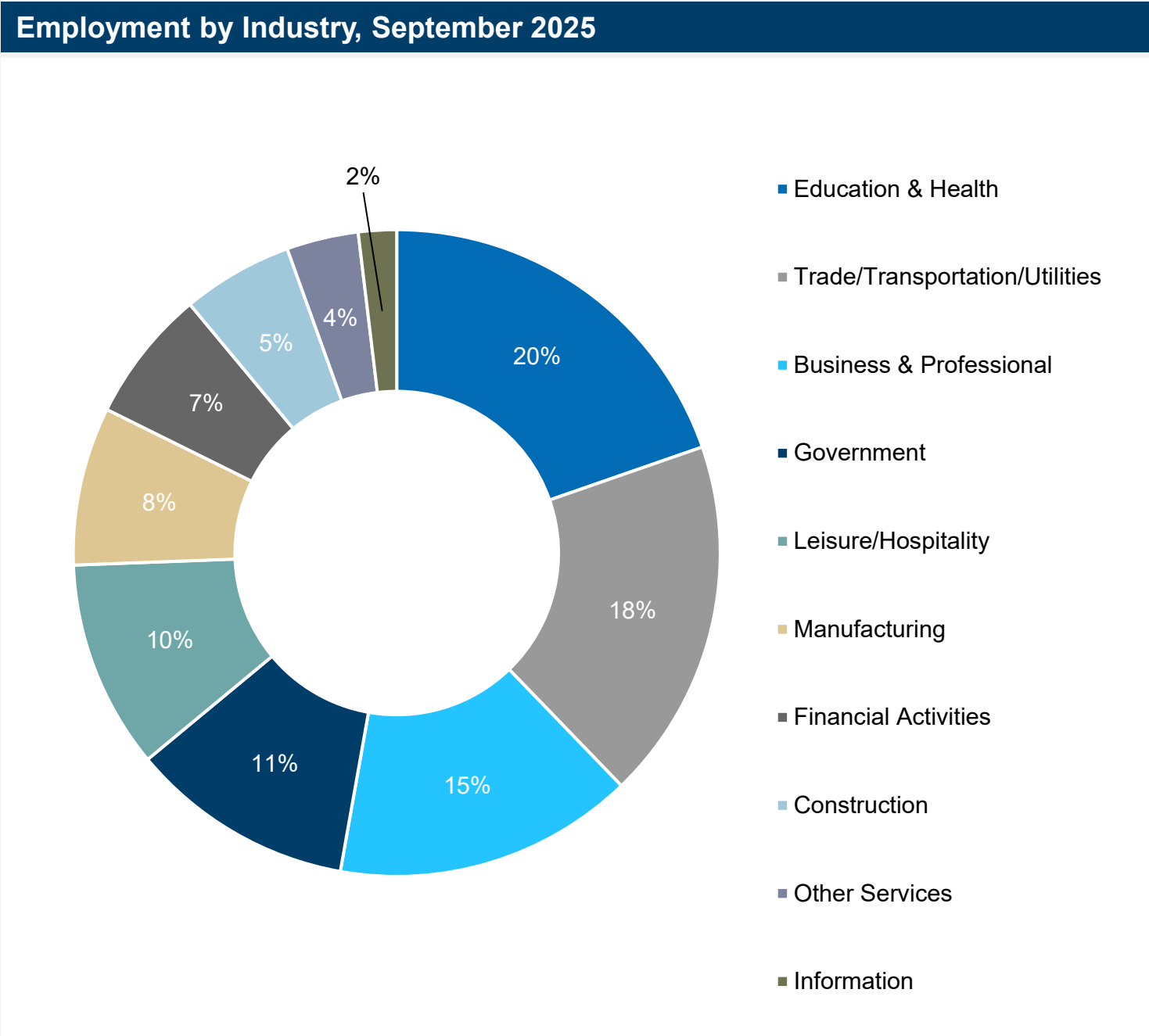
Metro Employment Trends Signal Increasing Unemployment

Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. The St. Louis region’s labor market loosened as unemployment increased 10 basis points in September. The regional unemployment rate now stands 30 basis points below the national average, signaling economic strength. Nonfarm payroll employment in the region remains in negative territory at negative 0.5%. According to FRED, Fed Labor Market Conditions Indicators, activity declined modestly to 0.20, while momentum decelerated modestly to -0.25 in November 2025.



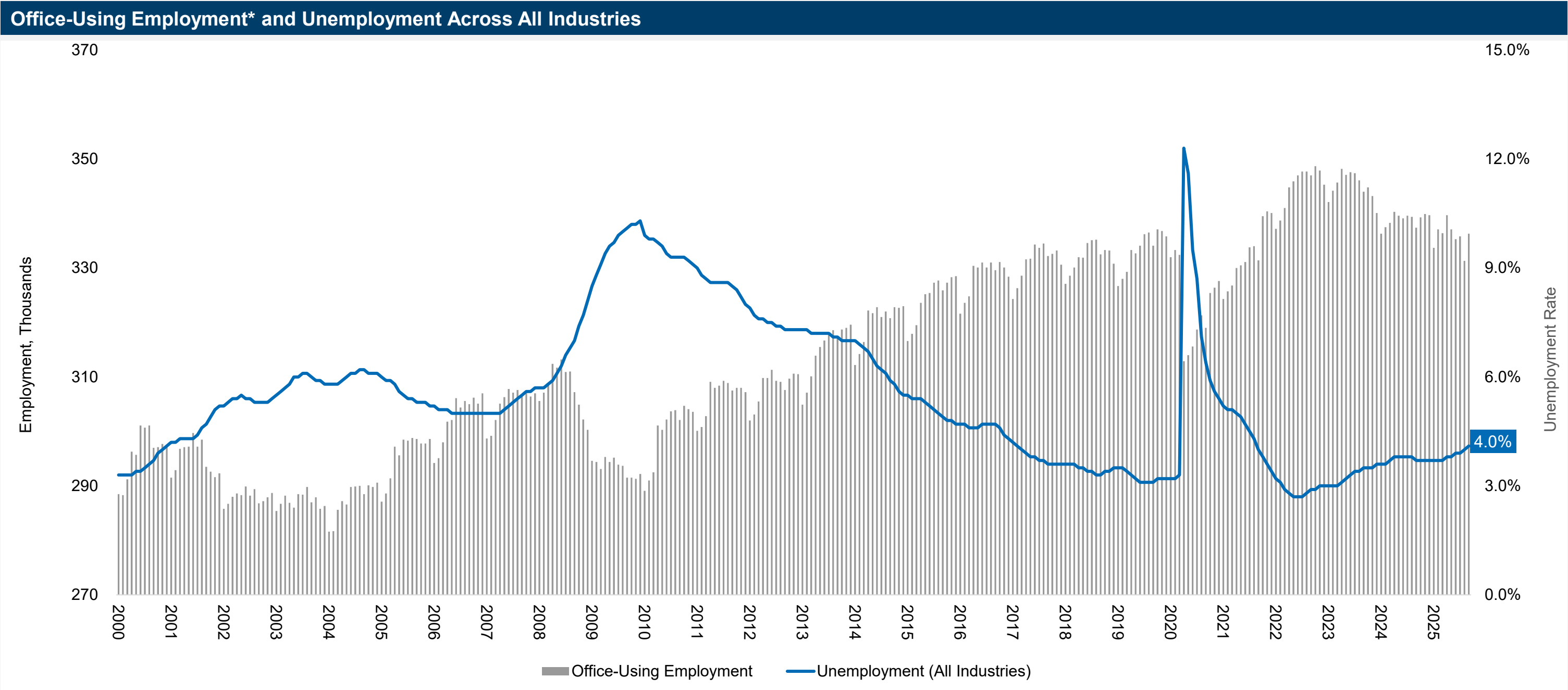
Education and Health and Financial Activities Sectors Lead Regional Job Gains

Due to a lapse in appropriations in the BLS, the collection of select data points were cancelled for the months of October and November. The Education and Health sector led regional annual job growth, followed by Financial Activities. The Information and Manufacturing sectors posted the largest job losses, with declines of 4.9% and 4.2%, respectively. Two out of three office-occupying industries, reported annual job losses.



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 2026.



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

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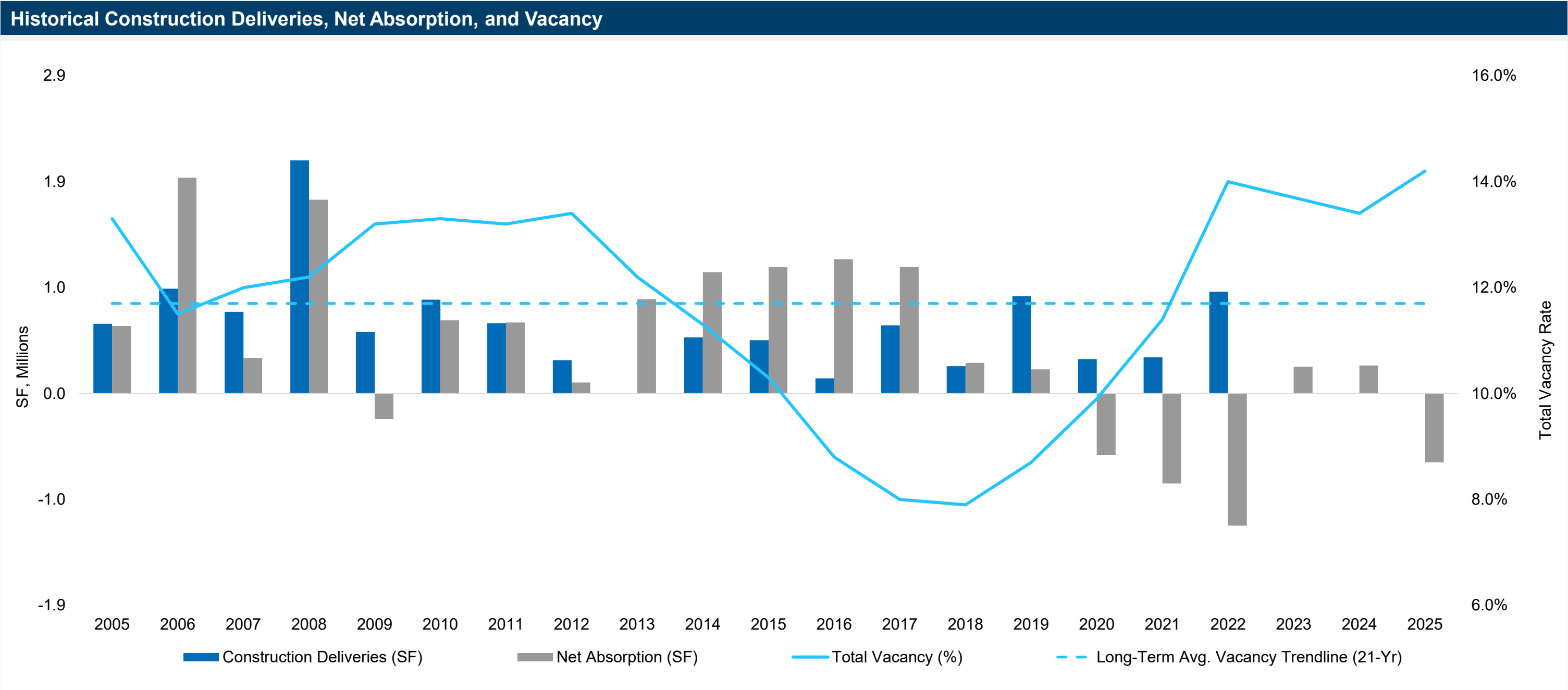


Market Overview

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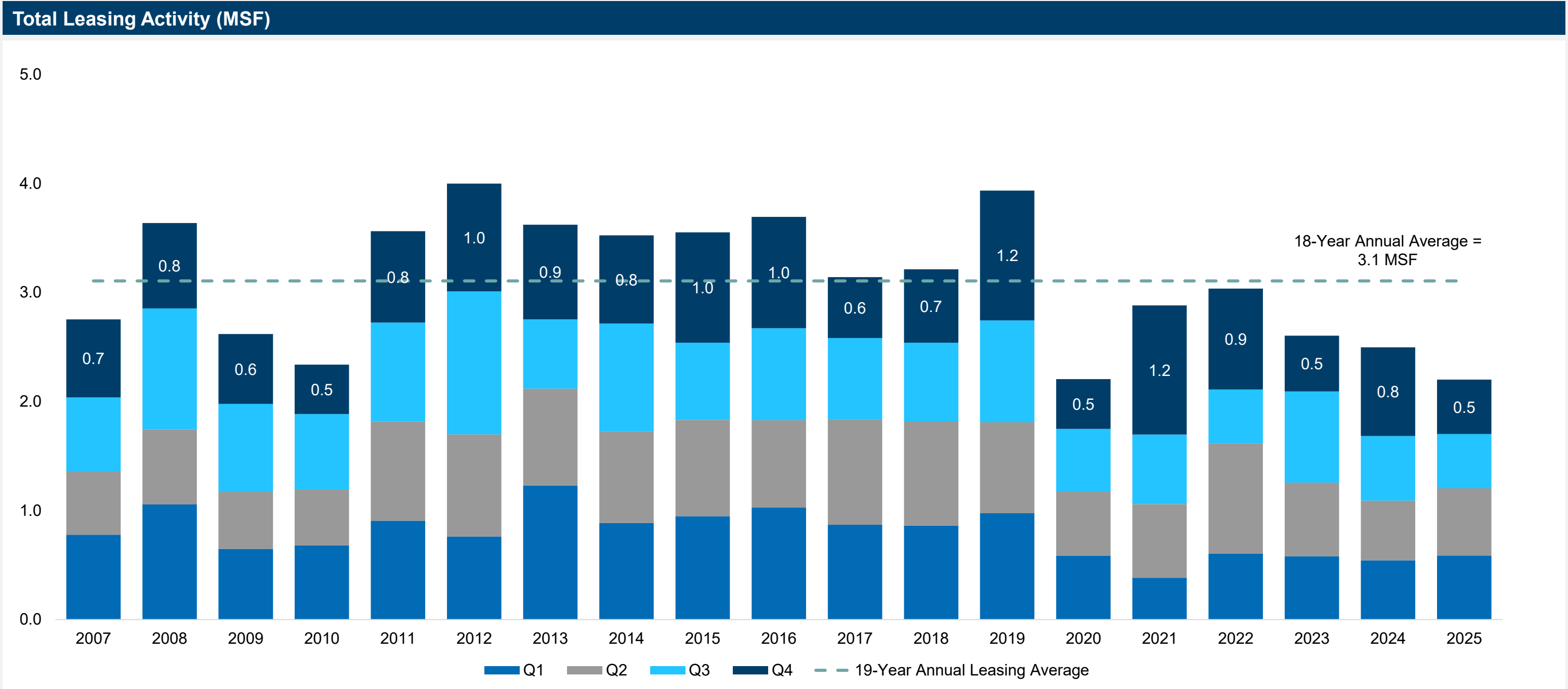
Vacancy Expected To Plateau In 2026 As Market Recalibrates

Vacancy increased 80 basis points year over year to 14.2% as tenants adjusted to hybrid work models and reassessed space needs - five-year leases signed near the end of the Pandemic year in 2021 are now under evaluation. Ongoing office conversions to multifamily, hospitality and retail uses, along with limited new deliveries and a rising trend of in-office worker presence, are expected to limit vacancy increases in 2026. Tenants will 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.



Leasing Activity Remains Muted Across Metro

Leasing activity in the fourth quarter of 2025 totaled 498,948 SF, a 35.9% decrease compared to the fourth-quarter average from 2020 to 2024. Over the past four quarters, activity remained 29.2% below the 19-year average.



Macroeconomic Uncertainty and Financing Challenges Reduce Leasing Volume

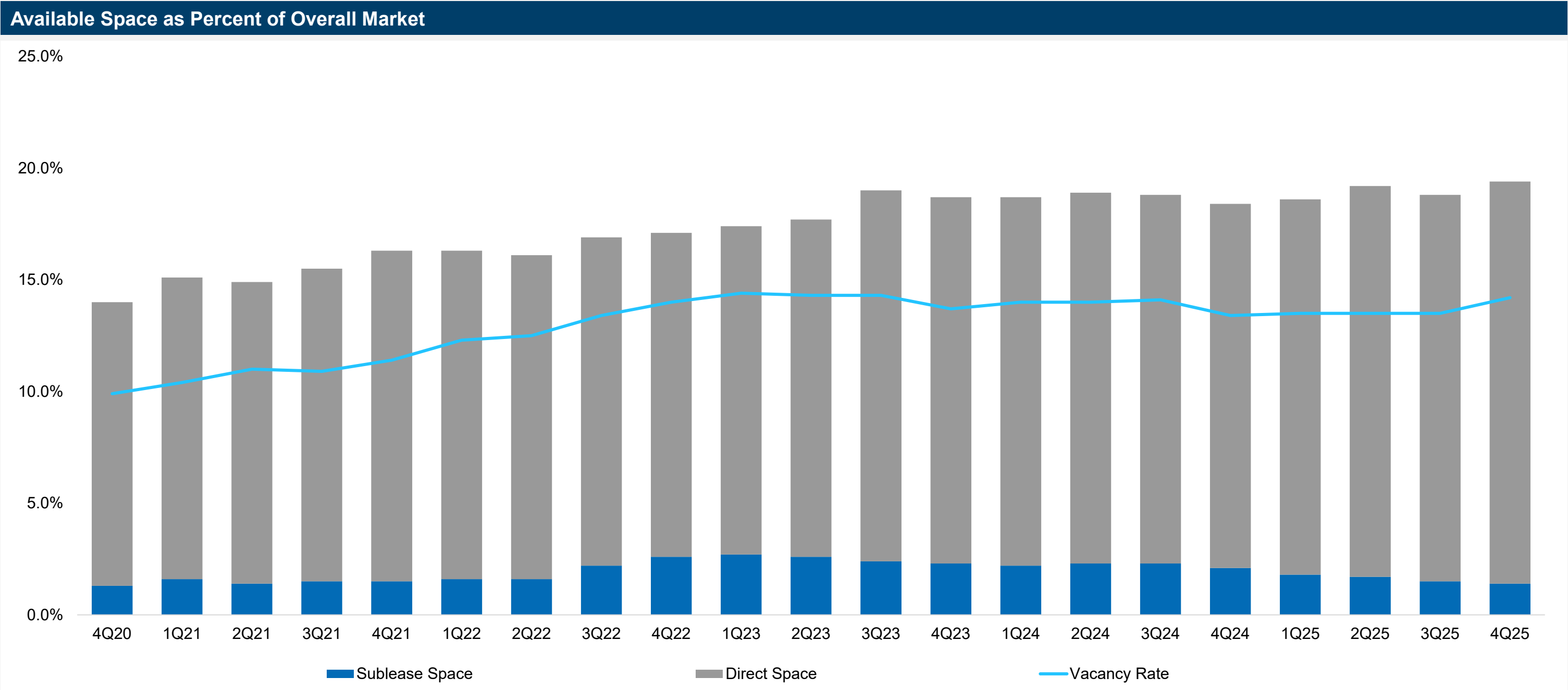
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Leasing Activity Down in Most Submarkets Compared to Pre-Pandemic Levels

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Direct Availability Increases; Sublease Availability Declines To 1.4%

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 in 2026, while sublease availability has already dropped from 2.7% in the first quarter of 2023 to 1.4% in the fourth quarter of 2025.

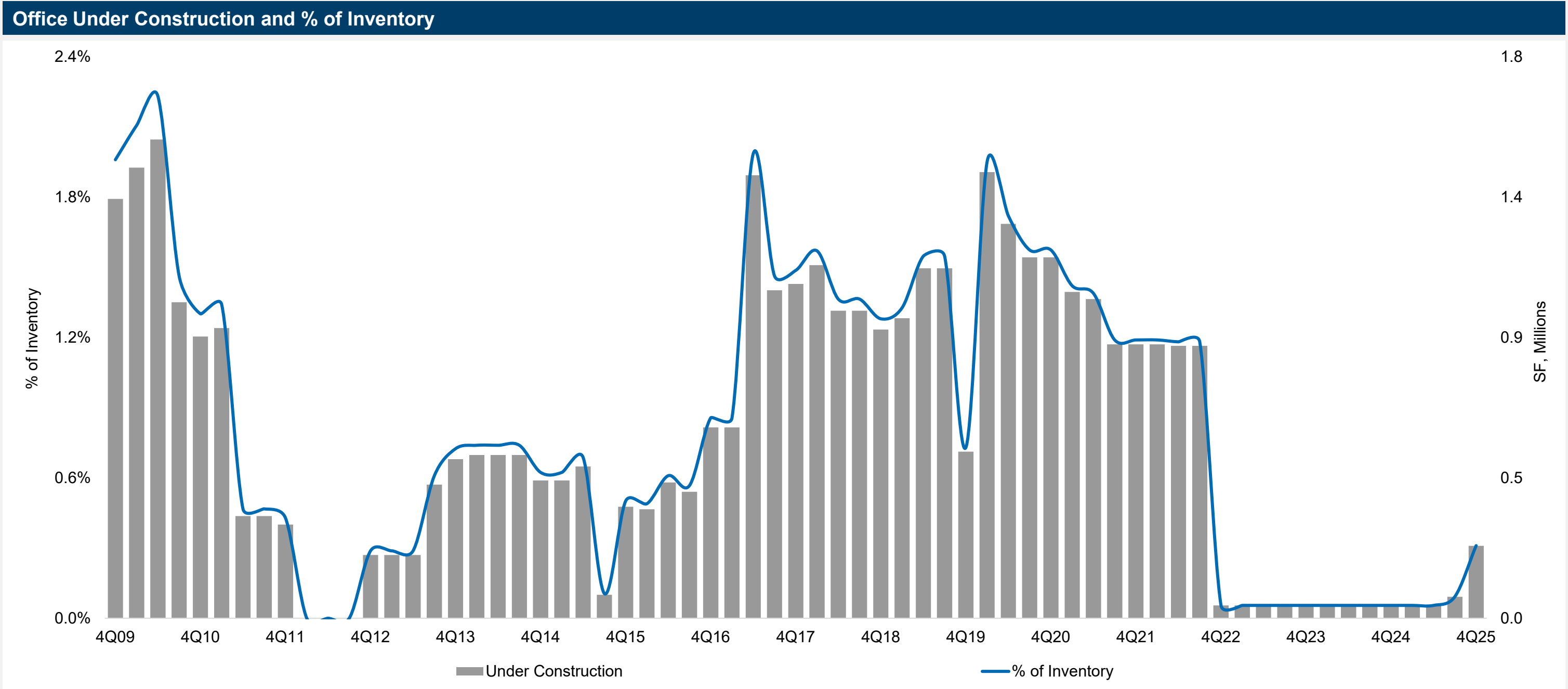


St. Charles County Experiences Largest Availability Rate Increase In 2025

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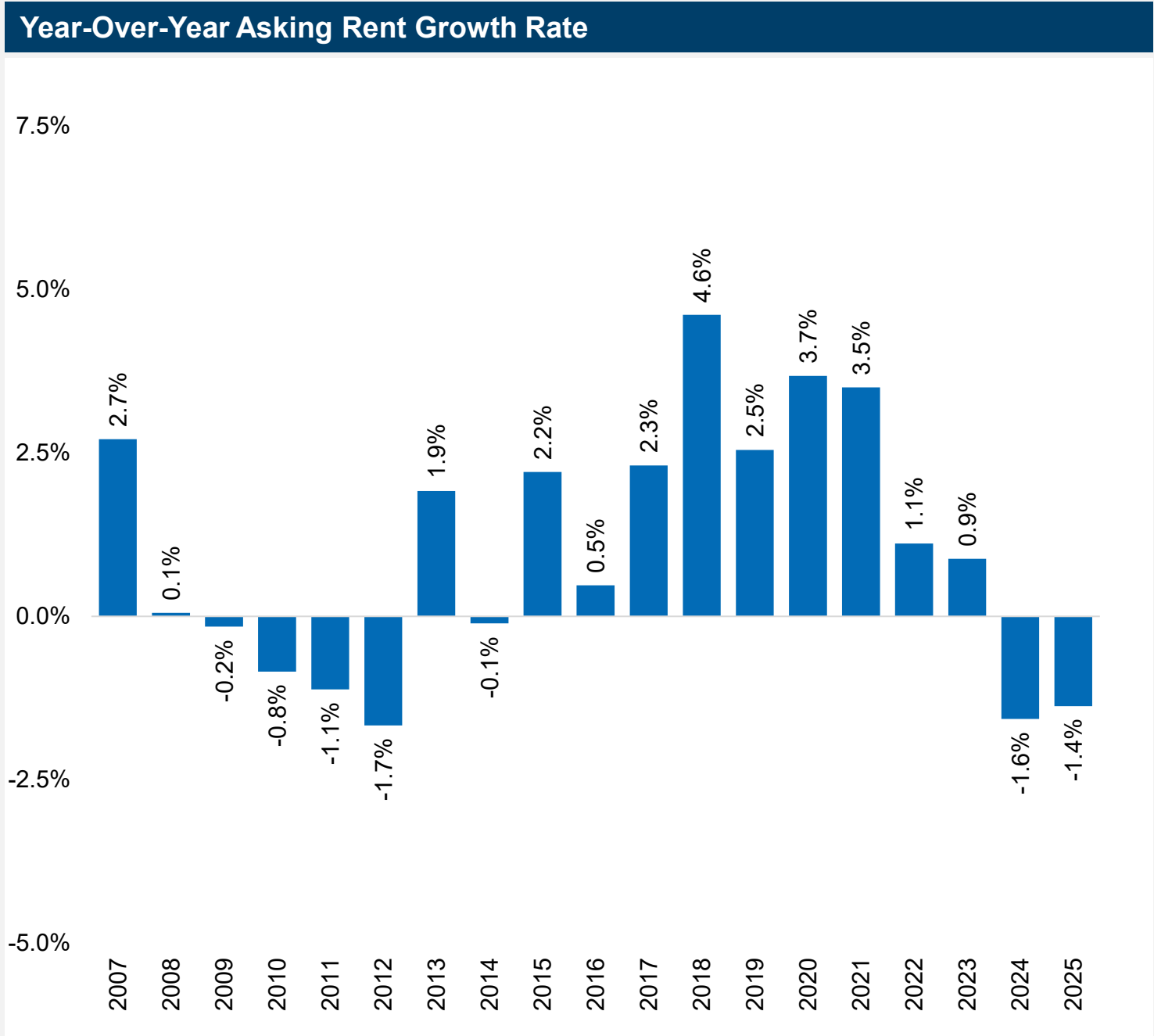
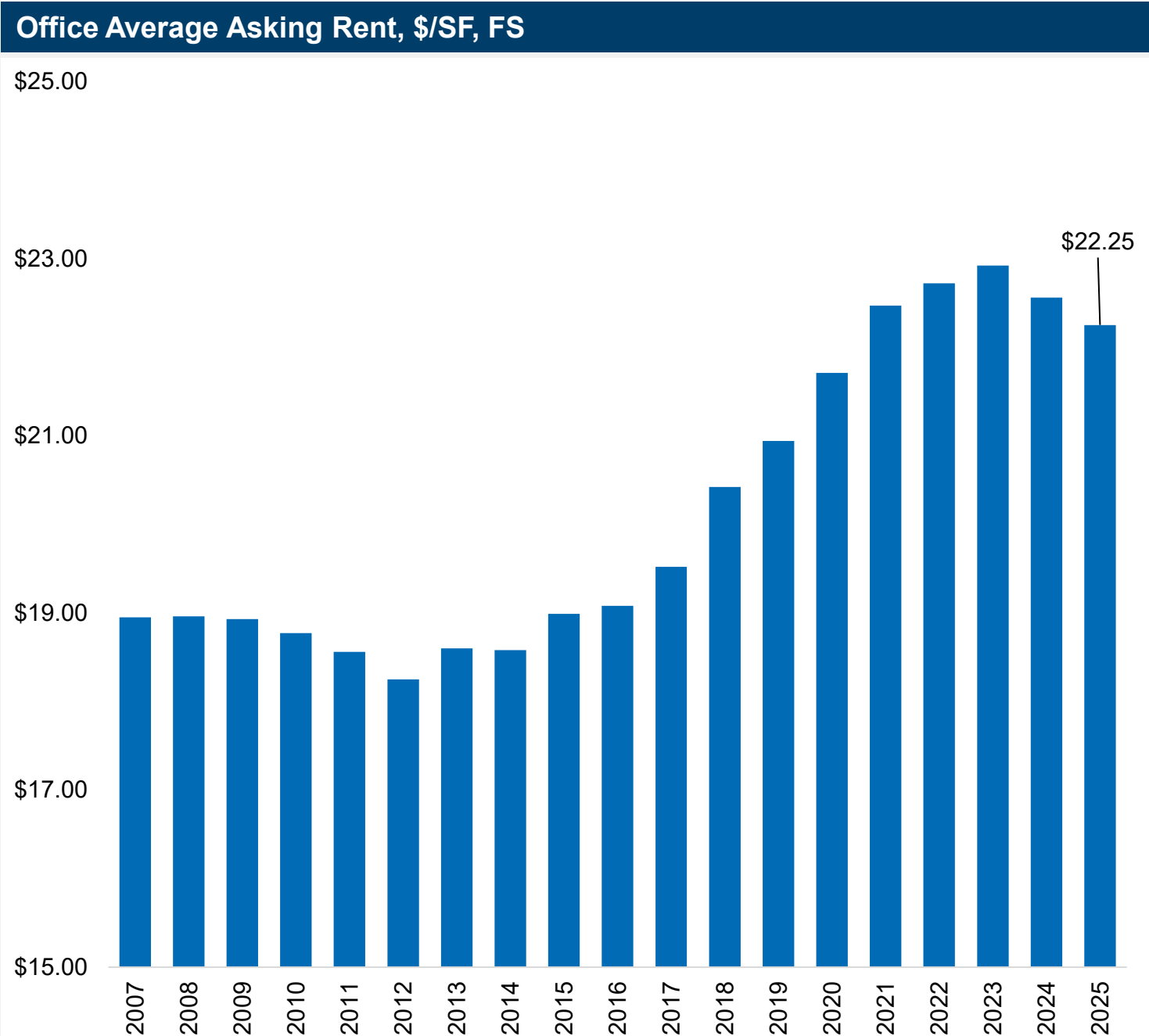
New Construction Remains Limited While Vacancy At 14.2%

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 14.2% continues to suppress speculative development.



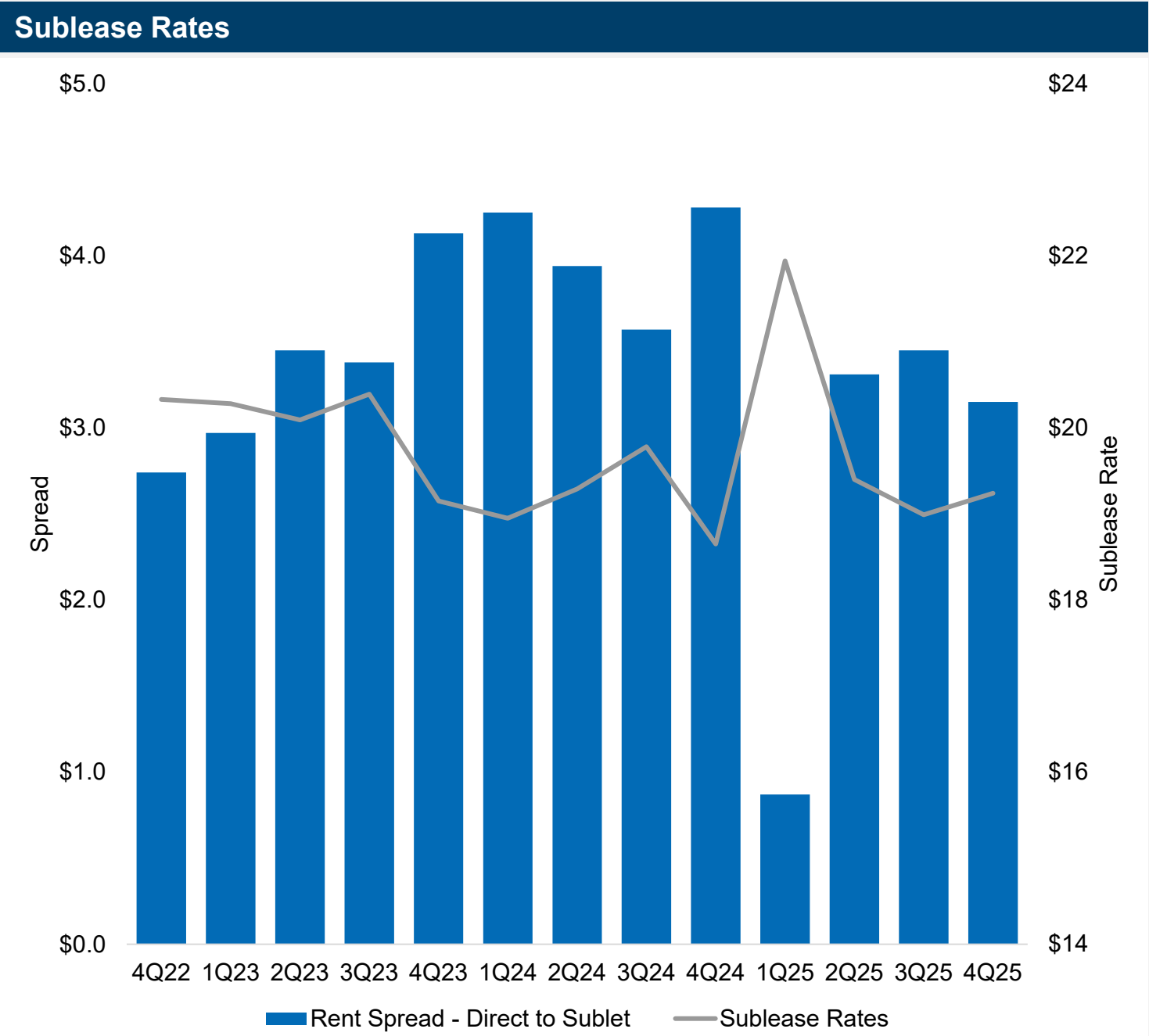
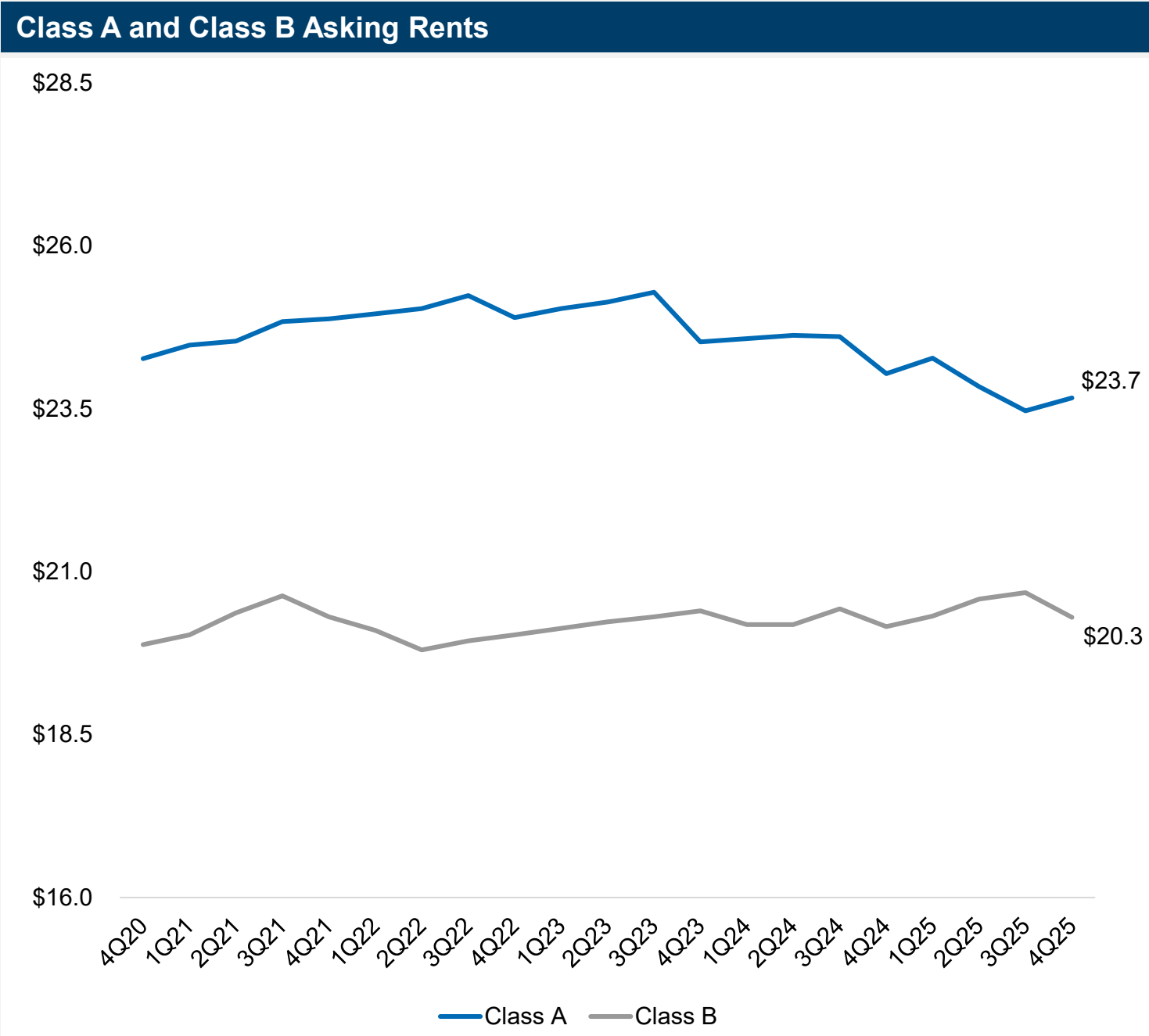
Rents Decline As Landlords Navigate Limited Liquidity

Overall asking rents declined year over year to \$22.25/SF and are expected to remain flat in 2026. 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 been largely stagnated.



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 registered \$19.24/SF in the fourth quarter of 2025, reducing the rent spread to \$3.15/SF.



Marquee Submarkets See Reversal In Rental Rate Growth Year Over Year

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4Q25 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 in 2026. Significant tenant movement out of outdated space and ongoing conversions to multifamily and hospitality will continue to contribute market stabilization, with vacancy at 14.2% as of the fourth quarter of 2025.

Select News & Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Par Health, Inc.	675 James S McDonnell Boulevard	North County	Renewal	124,170
Par Health, Inc. renewed its 124,170-SF lease for an additional two-year term at its headquarters location at 675 James S McDonnell Blvd. in Hazelwood. Starting rent was quoted at \$23.00/SF.				
Peabody Energy	1245 J.J. Kelley Memorial Drive	West County	Direct Lease	57,810
Peabody Energy announced it will relocate its headquarters from Peabody Plaza at 701 Market St. to 1245 J.J. Kelley Memorial Dr. in Des Peres. After more than 70 years located downtown, the firm is another in an extensive list of companies exiting the CBD office submarket. Peabody will occupy the sixth and seventh floors of the building formerly occupied by Edward Jones.				
Nidec Motor Corporation	12443 Olive Boulevard	Mid County	Direct Lease	51,340
Nidec Motor Corporation announced it will relocate a portion of its employees from the former Emerson campus into 51,340 SF of space at Creve Coeur Pointe. The move will continue to backfill the former Centene space which was vacated in 2023. The asking starting rent was published at a rate of \$26.75/SF prior to leasing. An anticipated move-in is scheduled for February 2026.				
Exegy, Inc.	349 Marshall Avenue	Clayton	Renewal	14,450
Exegy, Inc. renewed its 14,450-SF lease on the first floor of the 42,320-SF building located at 349 Marshall Ave. in Webster Groves. The asking starting rent was published at a rate of \$22.00/SF prior to leasing.				
Nationwide	5401 Veterans Memorial Parkway	St. Charles County	Direct Lease	8,110
Insurance and financial services company, Nationwide, signed a lease for 8,110 SF on the second floor at 5401 Veterans Memorial Pkwy. in St. Peters. The asking starting rent was published at a rate of \$21.00/SF prior to leasing.				

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Submarket Statistics

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Submarket Statistics: All Classes, Class A, Class B

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