

INVESTMENT FORECAST

Office
St. Louis Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Gathering Demographic Momentum Drives Inner-Ring Retail and Sustains Investment

Population tailwinds boost city center fundamentals. St. Louis retail vacancy has remained below 6 percent since 2014, and after four straight years of tightening, began 2025 at a historical low. Two years of record-setting net in-migration led to a 100-basis-point drop in apartment vacancy, with new households adding to demand for retailers. Improving office vacancy — particularly downtown, where rates fell to an all-time low last year — is also aiding weekday foot traffic. Attended by the fewest retail deliveries in at least 18 years, this momentum is expected to carry forward and should reinforce tenant demand for space. Leasing activity will likely concentrate in St. Louis County and metro Illinois, where retail vacancy in central submarkets dropped by up to 140 basis points last year. Move-ins slated for 2025 will be led by a wave of fitness centers and discount retailers across the metro, including two new locations each from Daiso and Dollar Tree. Openings from brands like Starbucks, Dutch Bros, Paris Baguette and KFC will help further sustain vacancy compression this year.

Steady market, strong outlook hold investor attention. Last year, transaction velocity remained just below the 2014-2019 average, driven by sub-\$5 million trades as investors capitalized on St. Louis' sale price per square foot — the sixth-lowest among major markets. While the past decade saw extended periods of population decline, robust hiring and steady vacancy drops in the last four years have kept investors bullish on the metro's long-term prospects. Nearly one in five trades in 2024 involved retail in mixed-use developments, reflecting investor interest in centrally located assets. Metrowide, triple-net investments were popular, with investors demonstrating a strong preference for properties leased by restaurants, fast food and auto repair shops.

2025 MARKET FORECAST

+1.2%



EMPLOYMENT: At 17,000 positions, this year's net employment gain will be the smallest since 2020; however, hiring remains roughly 25 percent above the pre-pandemic decade average.

184,000
sq. ft.



CONSTRUCTION: The 2025 delivery slate will raise total inventory just 0.1 percent — a more than 50 percent reduction from 2024 — and will be the fewest completions in the metro's recorded history.

-20 bps



VACANCY: Entering the year at record-low vacancy, the market is expected to see additional compression this year, pushing the metrowide metric down to 4.4 percent by December.

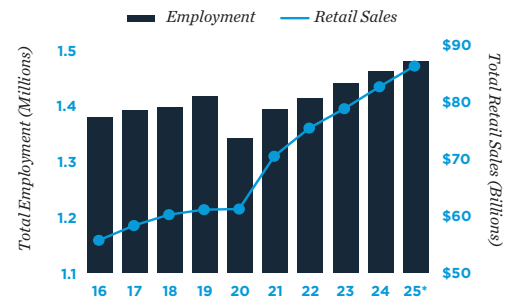
+2.1%



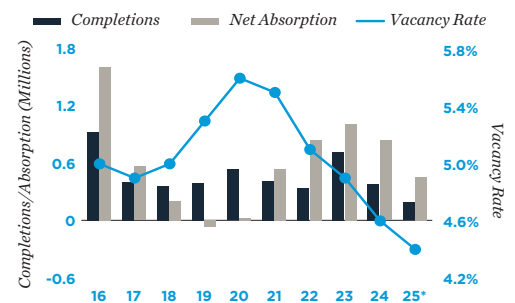
RENT: Rent growth in 2025 will slow from recent years. Nevertheless, the mean asking rent will reach \$15.50 per square foot as negligible deliveries push retailers to already limited floorspaces.

INVESTMENT: A three-year 350-basis-point reduction in local office vacancy brought Downtown to its lowest rate on record last year. Increased foot traffic in the area should drive up investor competition for retail space.

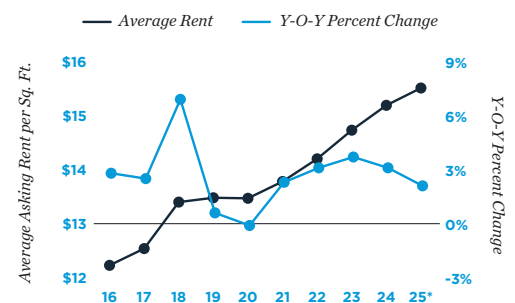
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.