INVESTMENT FORECAST

Office

St. Louis Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

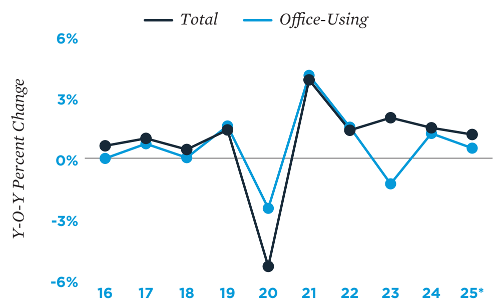
2025

Higher-End Suburbs Center of Stifled Investment Landscape Amid Widespread Performance Gains

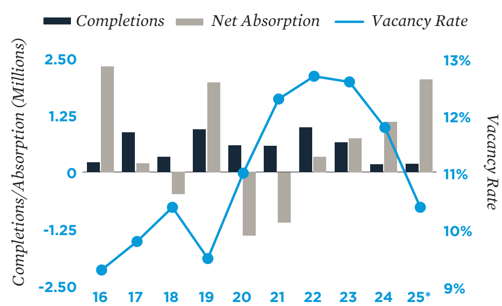
Office absorption picking up across the metro. St. Louis again lands among the ten least vacant major markets this year. Demand gained the most momentum in the central and west parts of St. Louis County, followed by the city itself. These areas should see further improvement in 2025 amid additional planned move-ins, the largest of which being SSM Health's sublease of 181,600 square feet from Centene near Kirkwood. Development, meanwhile, remains modest across the metro. Projects underway at the start of the year include The Carriage Works in St. Louis proper, which will add 41,000 square feet of Class A office space to the Cortex Innovation community. Demand is improving for higher-tier space marketwide. The overall Class A vacancy rate fell 200 basis points last year, led by net absorption in West St. Louis County. Availability among mid- and low-tier offices also entered 2025 with downward momentum, though the overall low level of 7.9 percent — less than half the Class A metric — may limit how quickly tenants can find suitable floor-plans going forward.

Increased signs of investors working through local hurdles. While St. Louis' office fundamentals are improving at an accelerated rate, transaction velocity is likely to remain constrained compared with pre-pandemic activity. Approximately 30 percent fewer offices changed hands last year as on average from 2014-2019. A 6 percent drop in the mean sale price on trades last year compared with 2023, combined with an uptick in the average cap rate to 8.1 percent, may pave the way for more buyers and sellers to come to agreement in the months ahead, however. Investors are likely to sustain focus on Central St. Louis County suburbs like Clayton, where some groupings of higher-end offices are located. Similar factors should draw attention to assets in St. Charles County.

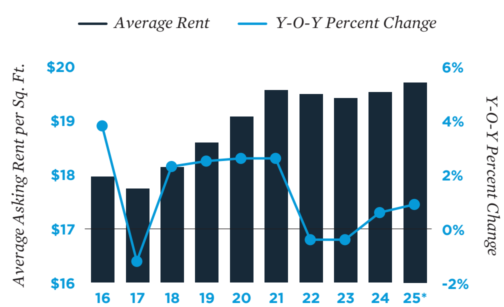
Employment Trends



Supply and Demand



Rent Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

2025 MARKET FORECAST

+1.2% — **EMPLOYMENT:** Job growth eases from last year, though the 17,000 new positions expected will be about on par with the 2014-2019 annual average. Office-centric firms will add 1,700 roles on net.

180,000 *sq. ft.* — **CONSTRUCTION:** Development picks up just slightly from 2024 as total inventory will again increase by just 0.1 percent. Projects are underway or proposed specifically in Central St. Louis County.

-140 bps — **VACANCY:** Roughly double the volume of net absorption from last year will pull down the marketwide vacancy rate to 10.4 percent in 2025, returning to the year-end 2018 level.

+0.9% — **RENT:** Rising demand is enough to support a slight improvement in the mean asking rent. The metro's overall average will tick up to $19.69 per square foot — the highest level since at least before 2007.

INVESTMENT: *While more than one building over 500,000 square feet traded last year, sales should continue to mostly involve assets under 50,000 square feet, given the greater availability of financing such properties.*

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