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2Q26 St. Louis Office Market:
Market Overview

2Q26

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St. Louis Market Observations

Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. May's unemployment rate registered 4.0%, 30 basis points below the national average of 4.3%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Financial Activities and Leisure and Hospitality sectors posted the largest job losses over the past 12 months.
- Professional business and technology firms are reassessing their workforce needs, with local employment decreasing in all three office-occupying sectors compared to the prior year.

Leasing Market Fundamentals

- The market loosened during the quarter with negative 229,887 SF of net absorption, bringing the past four-quarter total to negative 1.1 MSF. This marks nine out of the past 10 quarters with negative absorption, as tenants continue to reassess market conditions.
- The construction pipeline has remained inactive since the third quarter of 2022, with 203,870 SF currently under construction.
- Vacancy increased 20 basis points to 15.2% in the quarter; an increase of 140 basis points year-over-year. Vacancy is expected to range from 15.0% to 15.5% in the remainder of 2026.
- Average asking rental rates increased $0.01/SF to $22.21/SF in the quarter. Rates are projected to remain flat in the second half of the year.

Major Transactions

- ARCO National Construction signed a 10-year lease for 35,310 SF on the second and third floors of Clayton Executive Center I at 7930 Clayton Rd. An anticipated move-in is scheduled for October 2026.
- TW Constructors will expand into 24,000 SF of office, collaboration and training space as part of Phase II of its campus plan. The firm will relocate all five subsidiaries into one headquarters campus in August 2026.
- MO Center for Oral Surgery & Implants signed a lease for the entire 21,250-SF property at 1046 Wentzville Pkwy. in Wentzville, MO. An anticipated move-in is scheduled for September 2026.
- Mariner renewed it's 10,050-SF lease in the 174,240-SF Bemiston Tower located at 231 South Bemiston Ave. in Clayton, MO.
- Medica signed a lease for 7,280 SF on the ground floor of the 147,600-SF, multi-tenant Delmar Gardens III building. The non-profit health insurance provider will move in by July 2026.

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 15.0% in the remainder of 2026.
- 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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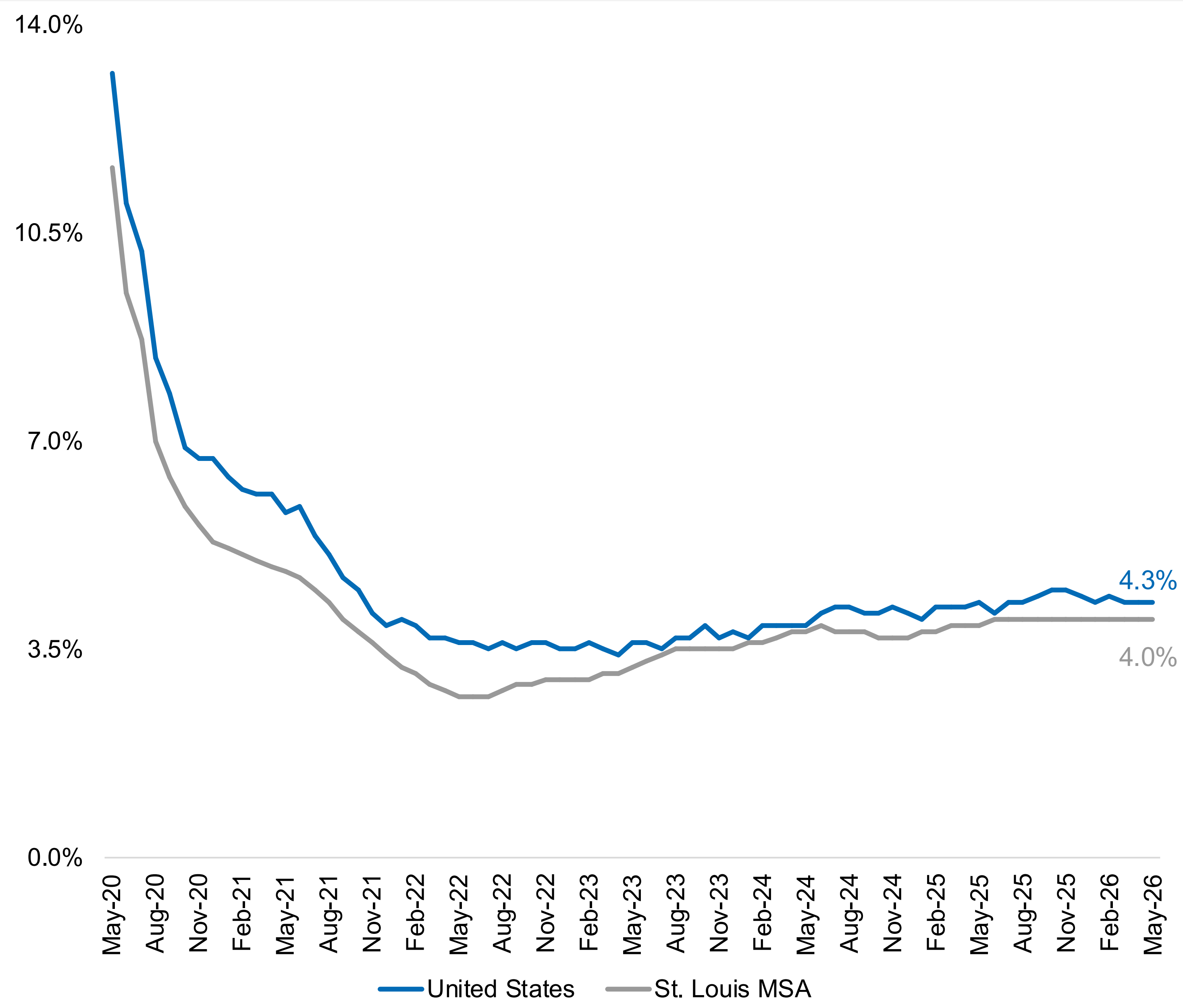
Economy

2Q26 ST. LOUIS OFFICE MARKET OVERVIEW

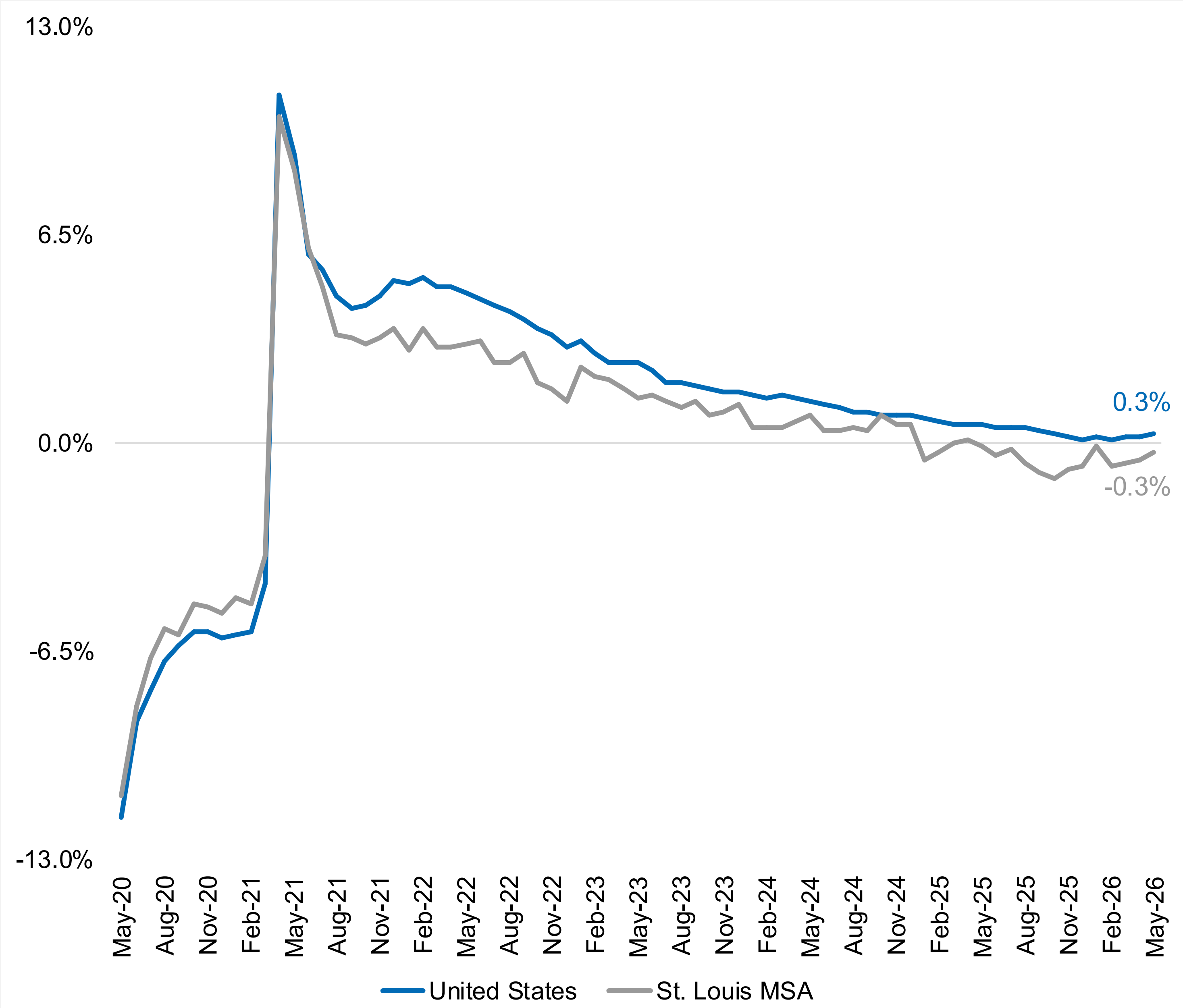
Metro Employment Unemployment Rate Below National Average

The St. Louis region's labor market remained flat with unemployment registering 4.0% in May 2026. The regional unemployment rate now stands 30 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment year-over-year percentage change in the region is below the national average at negative 0.3%. According to the Kansas City Fed Labor Market Conditions Indicators, activity in the quarter declined from 0.17 to 0.12, while momentum decreased from 0.02 to 0.01 in May 2026.

Unemployment Rate, Non-Seasonally Adjusted



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

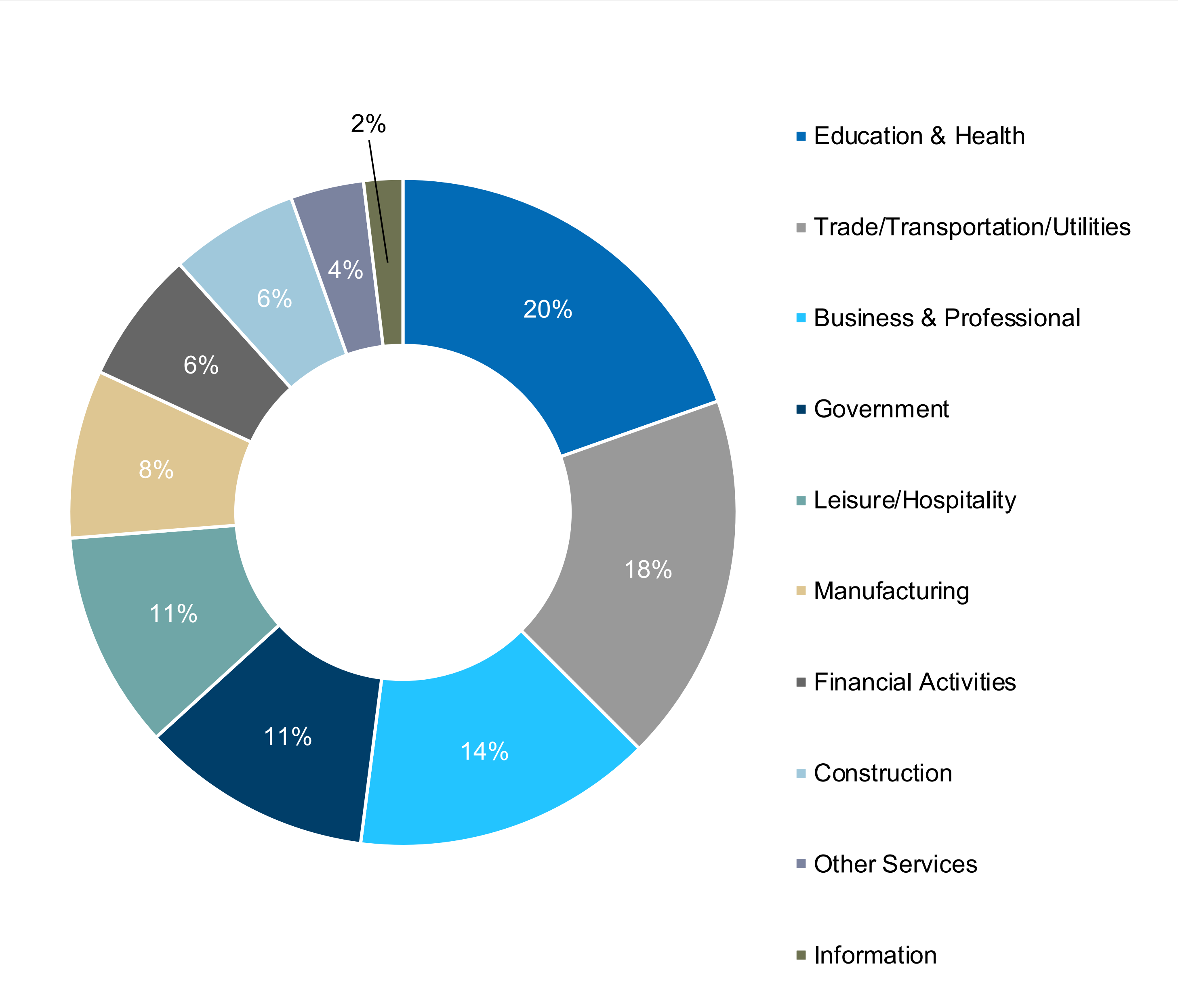


Source: U.S. Bureau of Labor Statistics, Newmark Research, FRED

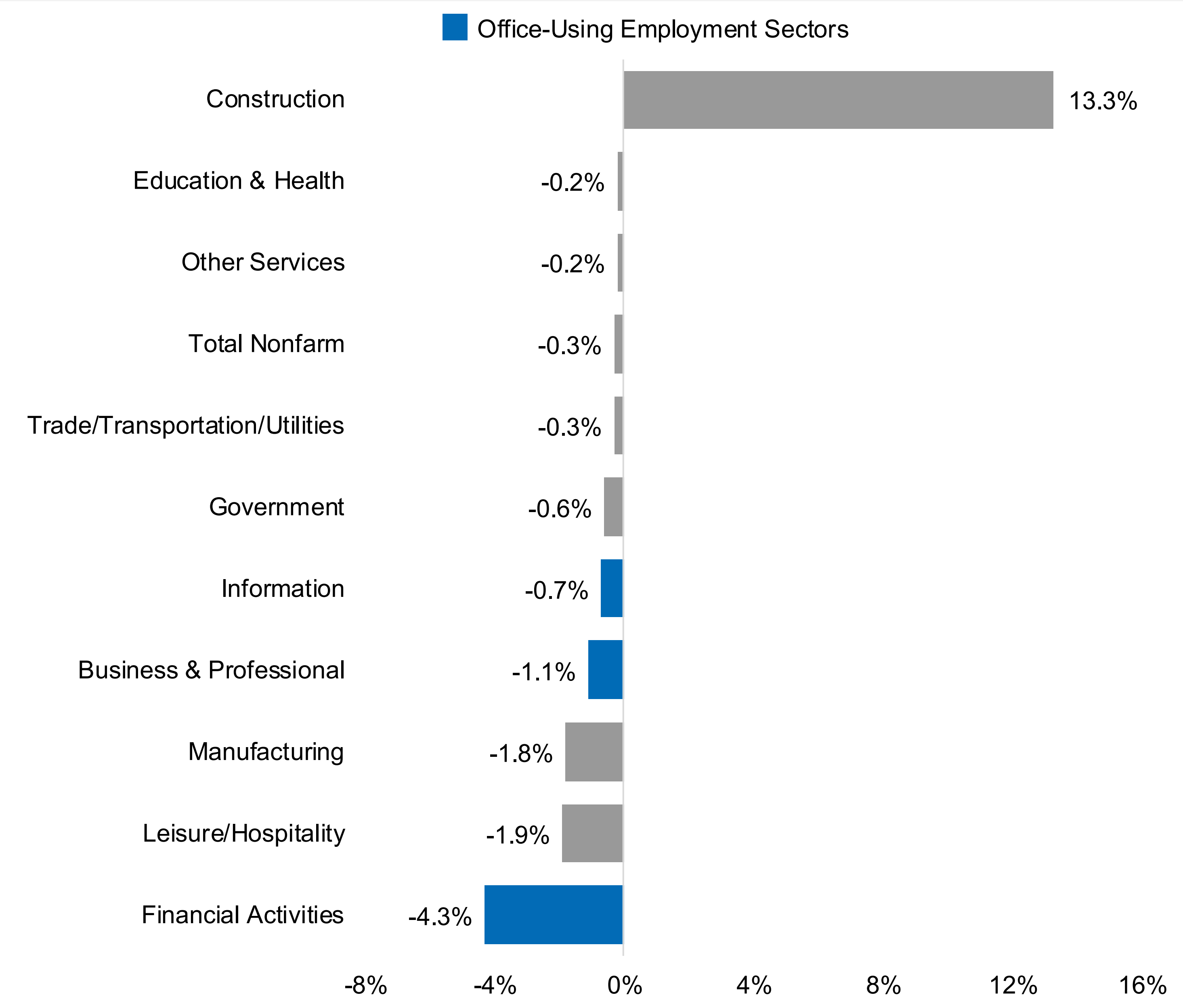
Construction And Education/Heath Sectors Lead Regional Job Gains

The Construction sector led regional annual job growth, followed by Education and Health. The Financial Activities and Leisure/Hospitality sectors posted the largest job losses, with declines of 4.3% and 1.9%, respectively. All three office-occupying industries, reported annual job losses.

Employment by Industry, May 2026



Employment Growth by Industry, 12-Month % Change, May 2026

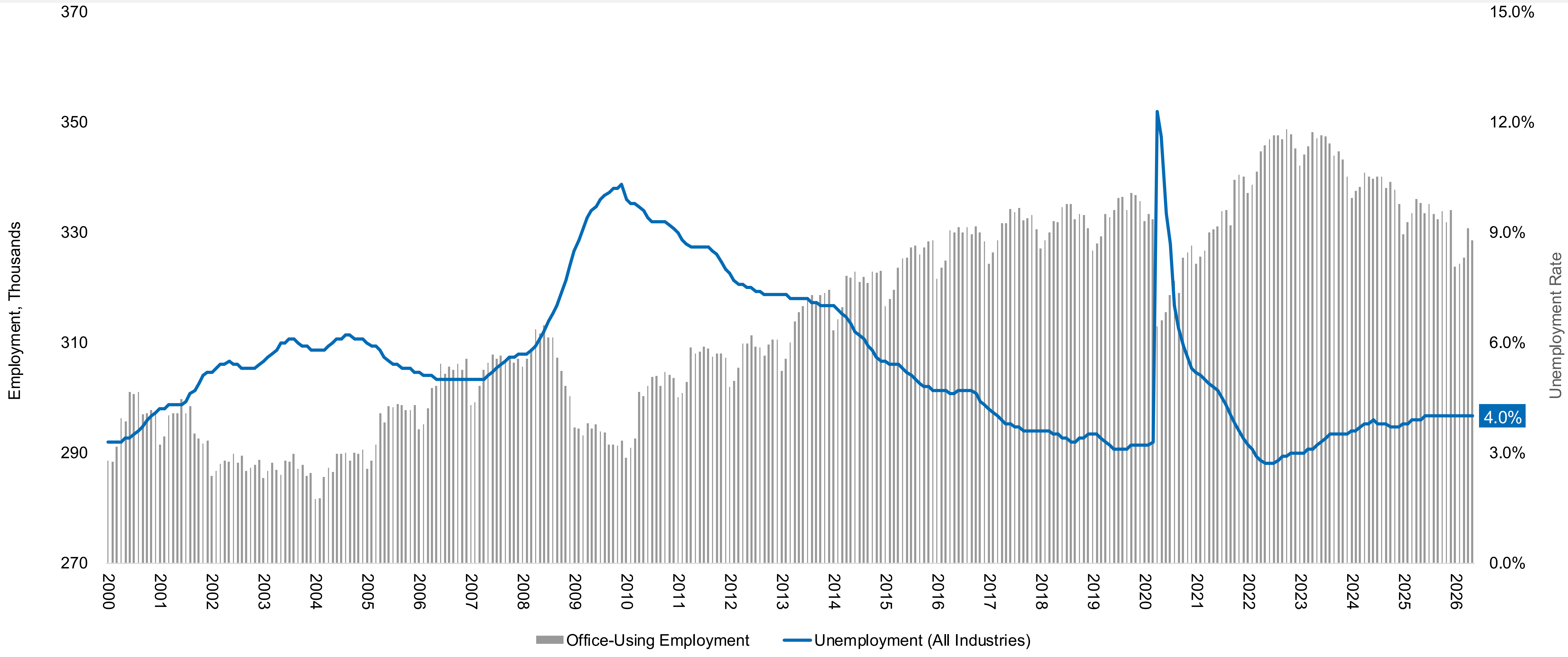


Source: U.S. Bureau of Labor Statistics, Newmark Research – St. Louis MSA

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.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, St. Louis MSA
Note: May 2026 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

2Q26 ST. LOUIS OFFICE MARKET OVERVIEW

Market Overview

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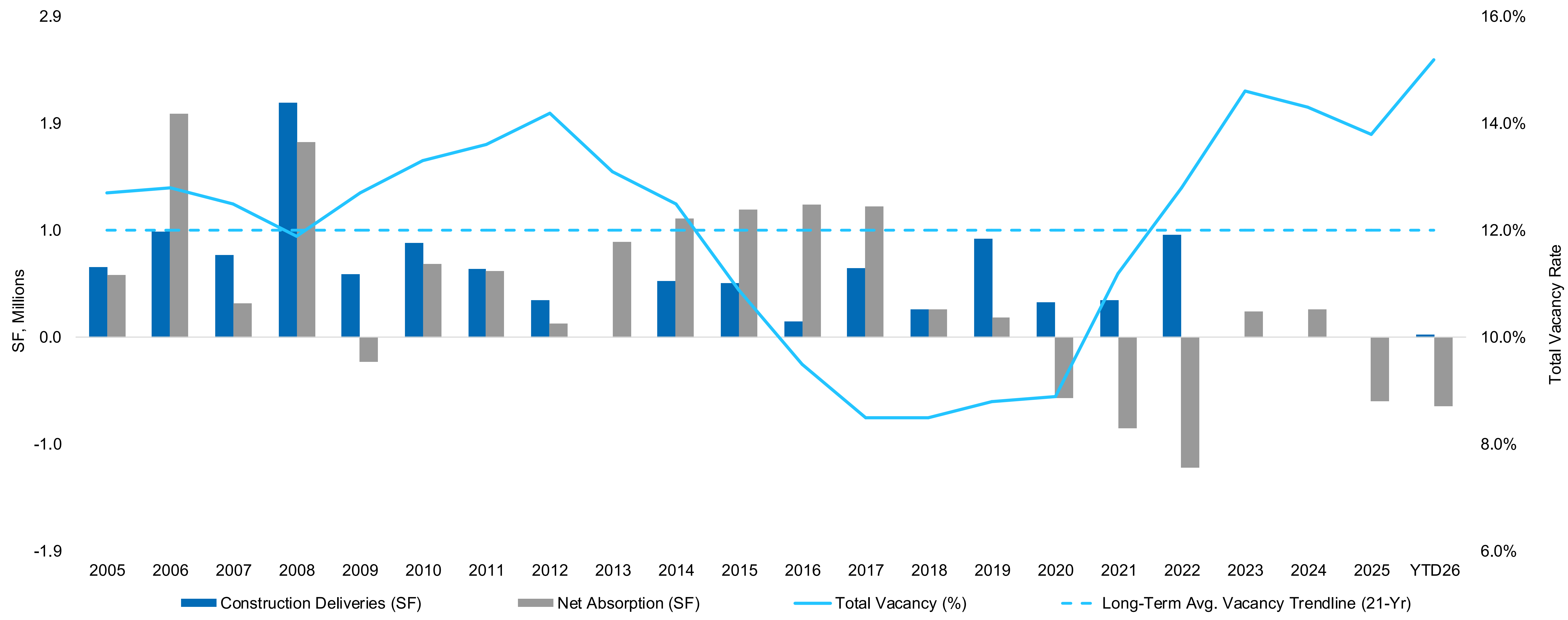
Vacancy Expected To Plateau In 2026 As Market Recalibrates

Vacancy increased 140 basis points year over year to 15.2% as tenants adjusted to hybrid work models and reassessed space needs. Five-year leases signed near the Pandemic in 2021 are now under evaluation and likely to lead to an overall contraction of space needs. 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 for the remainder of 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.

Historical Construction Deliveries, Net Absorption, and Vacancy

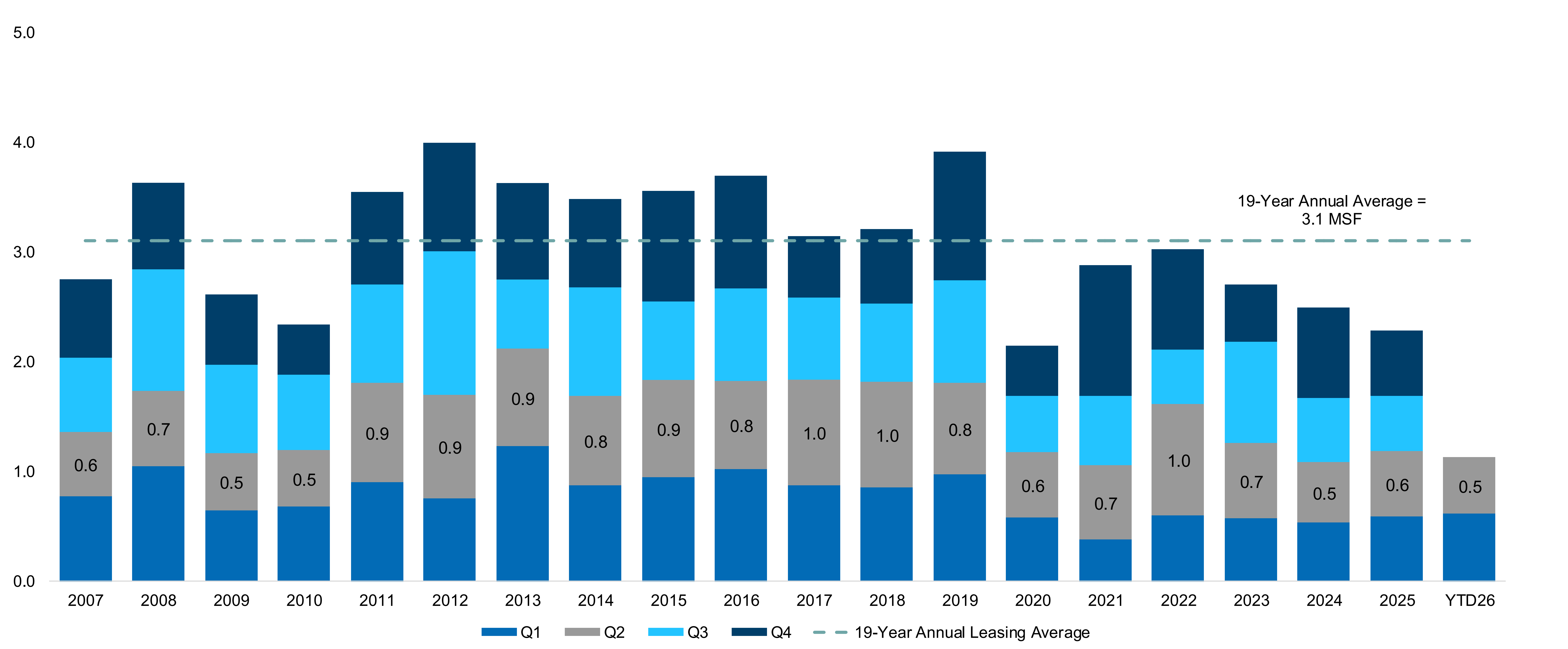


Source: Newmark Research, CoStar

Leasing Activity Remains Muted Across Metro

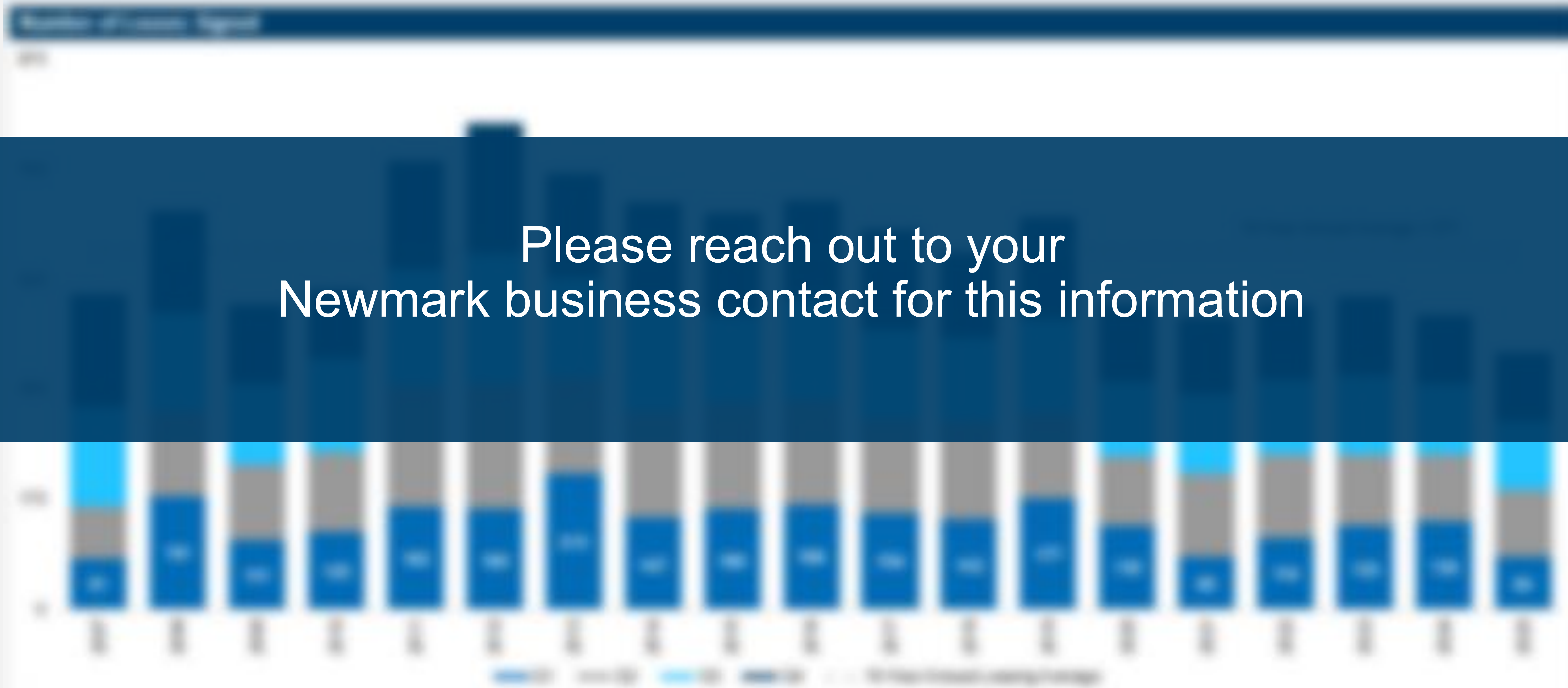
Leasing activity in the second quarter of 2026 totaled 516,071 SF, a 27.5% decrease compared to the second-quarter average from 2020 to 2025. Over the past four quarters, activity remained 28.3% below the 19-year average.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Macroeconomic Uncertainty And Financing Challenges Reduce Leasing Volume



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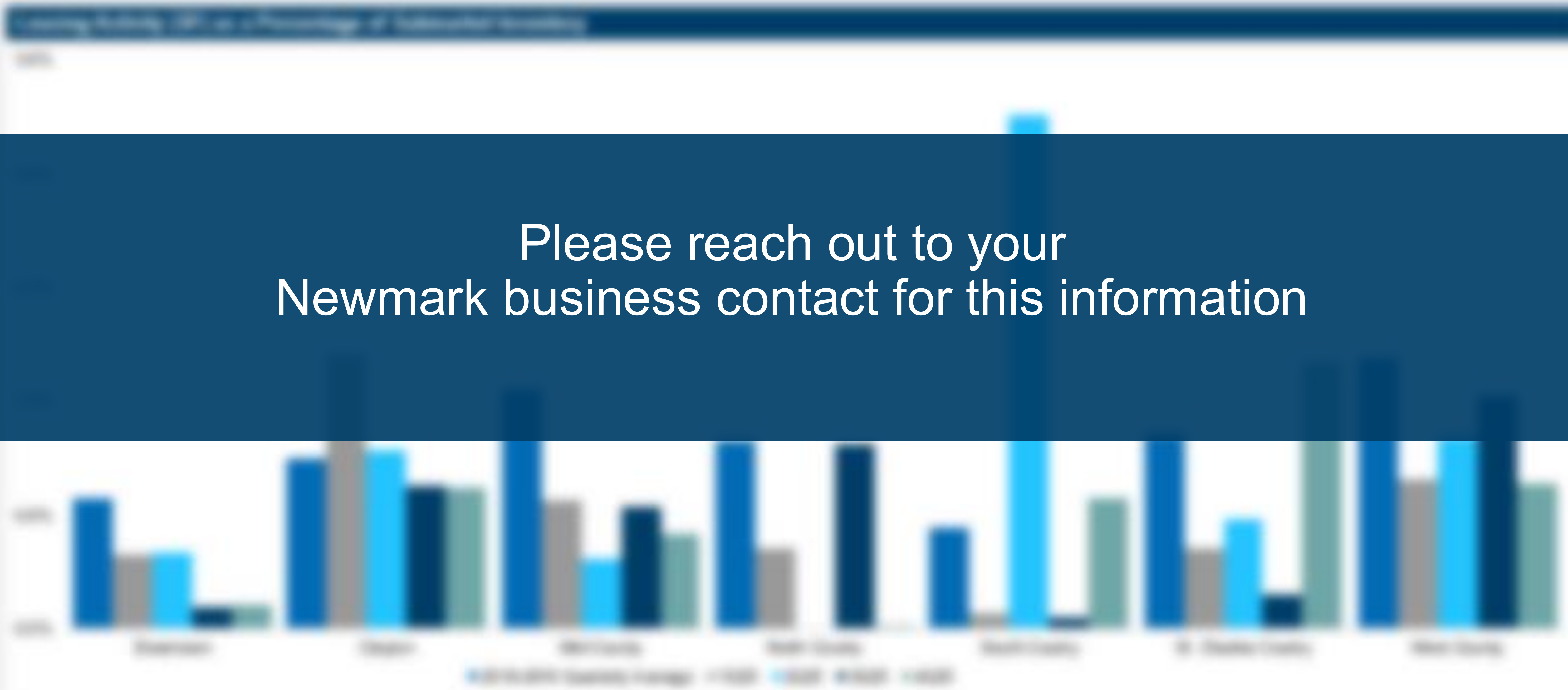
Source: Newmark Research, CoStar

Leasing Activity At Pre-Pandemic Levels In Marquee Submarkets



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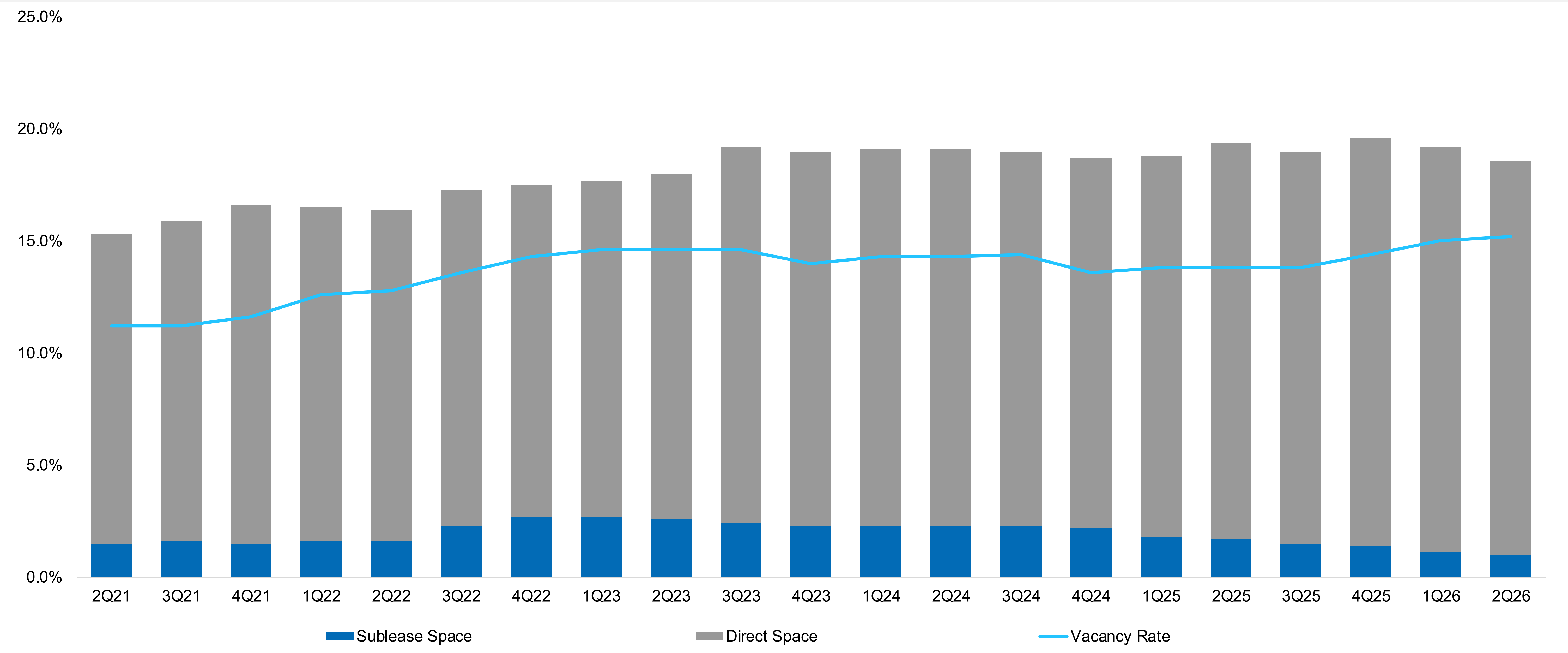
Source: Newmark Research, CoStar

Direct Availability Declines To 17.1%

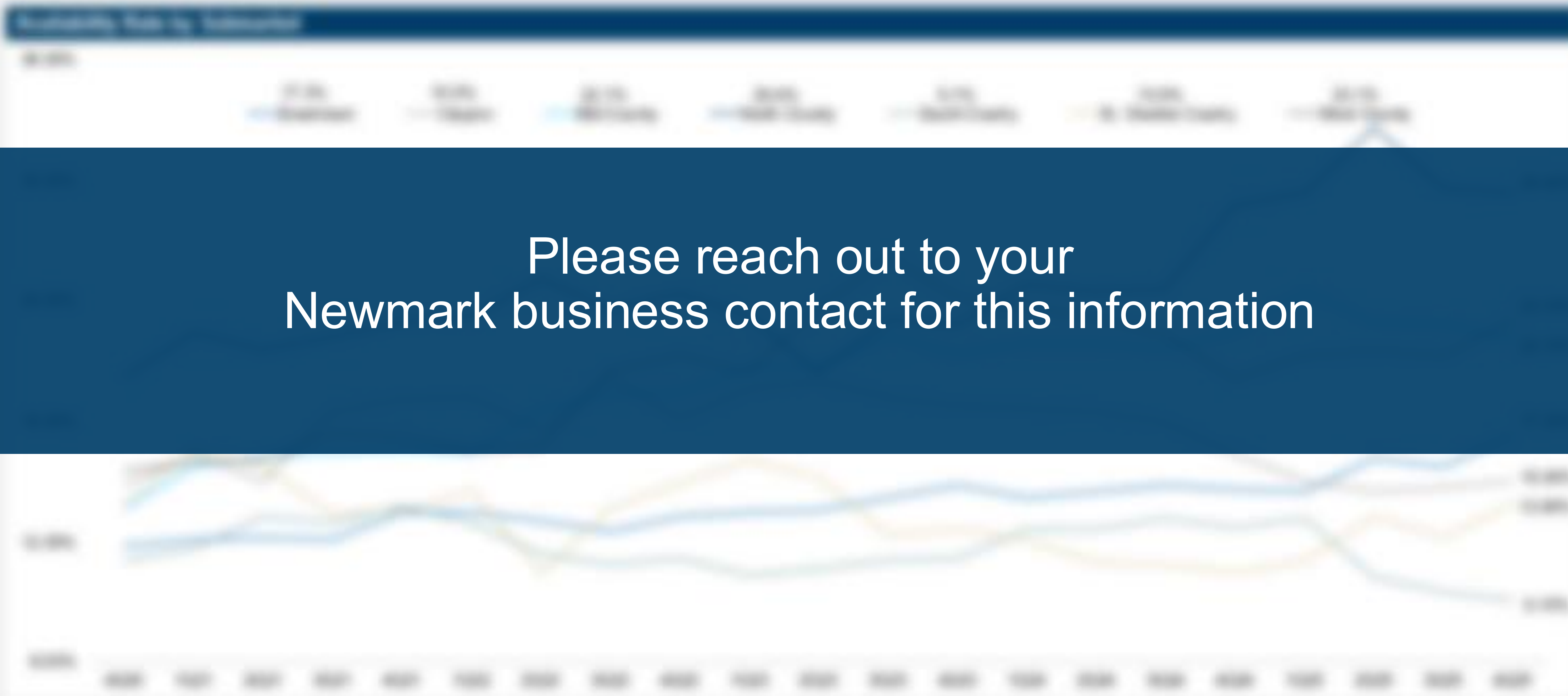
Prior to the pandemic, many technology firms leased space in anticipation of future headcount growth, aiming to hedge against tightening supply and rising rents. While a significant portion of sublease availability was previously tied to tech firms, sublease space has since returned to pre-pandemic levels. Direct availability is projected to continue declining year over year in the second half of 2026.

Available Space as Percent of Overall Market



Source: Newmark Research, CoStar

North County Experiences Largest Availability Rate Decrease Year Over Year



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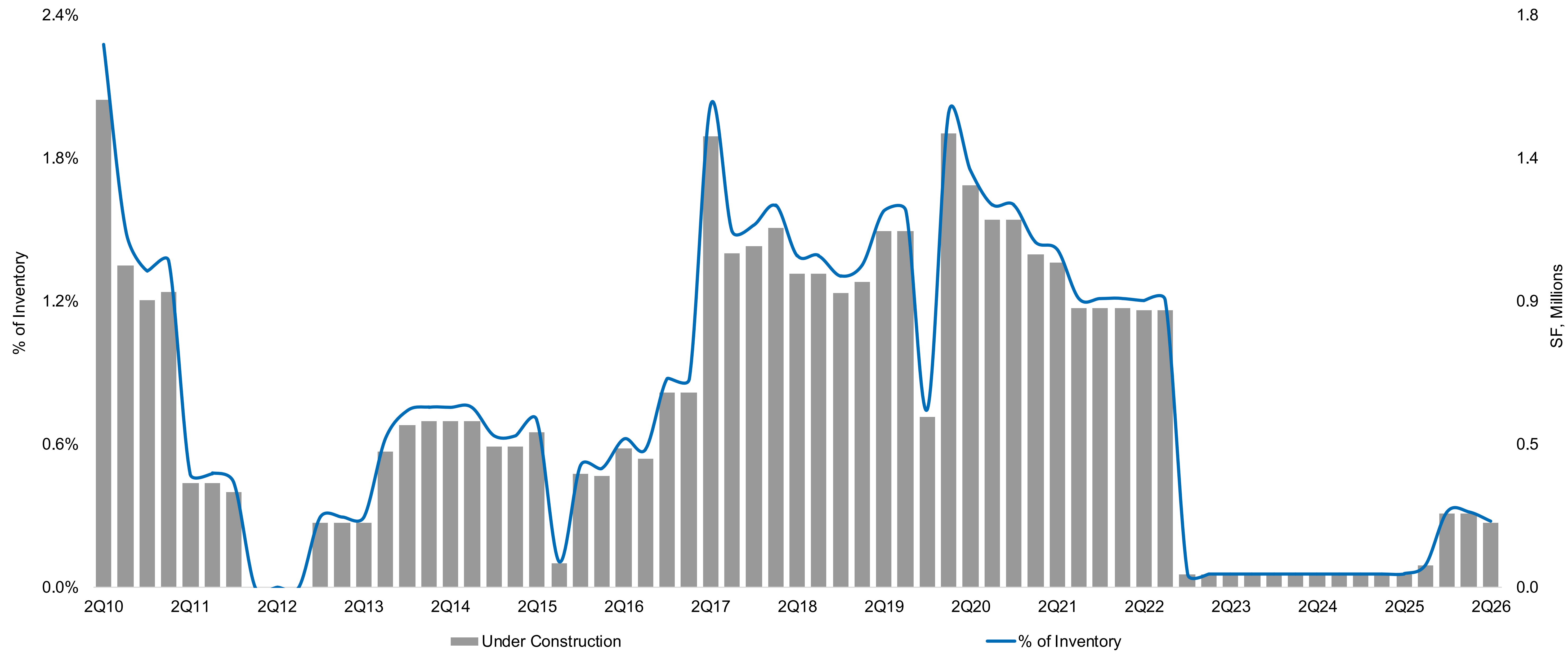
Source: Newmark Research, CoStar

New Construction Remains Limited While Vacancy Registers 15.2%

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 15.2% continues to suppress speculative development.

Office Under Construction and % of Inventory

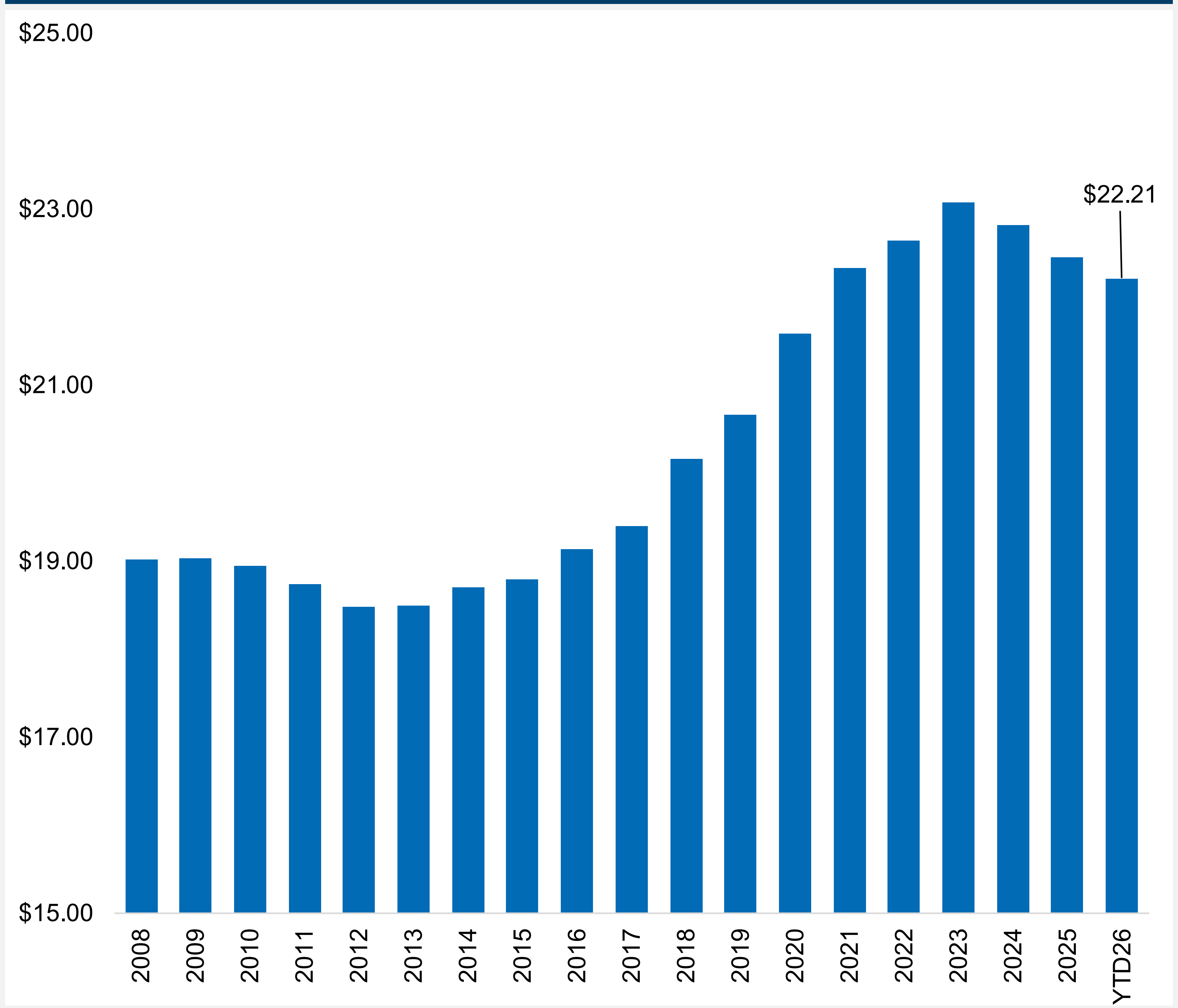


Source: Newmark Research, CoStar

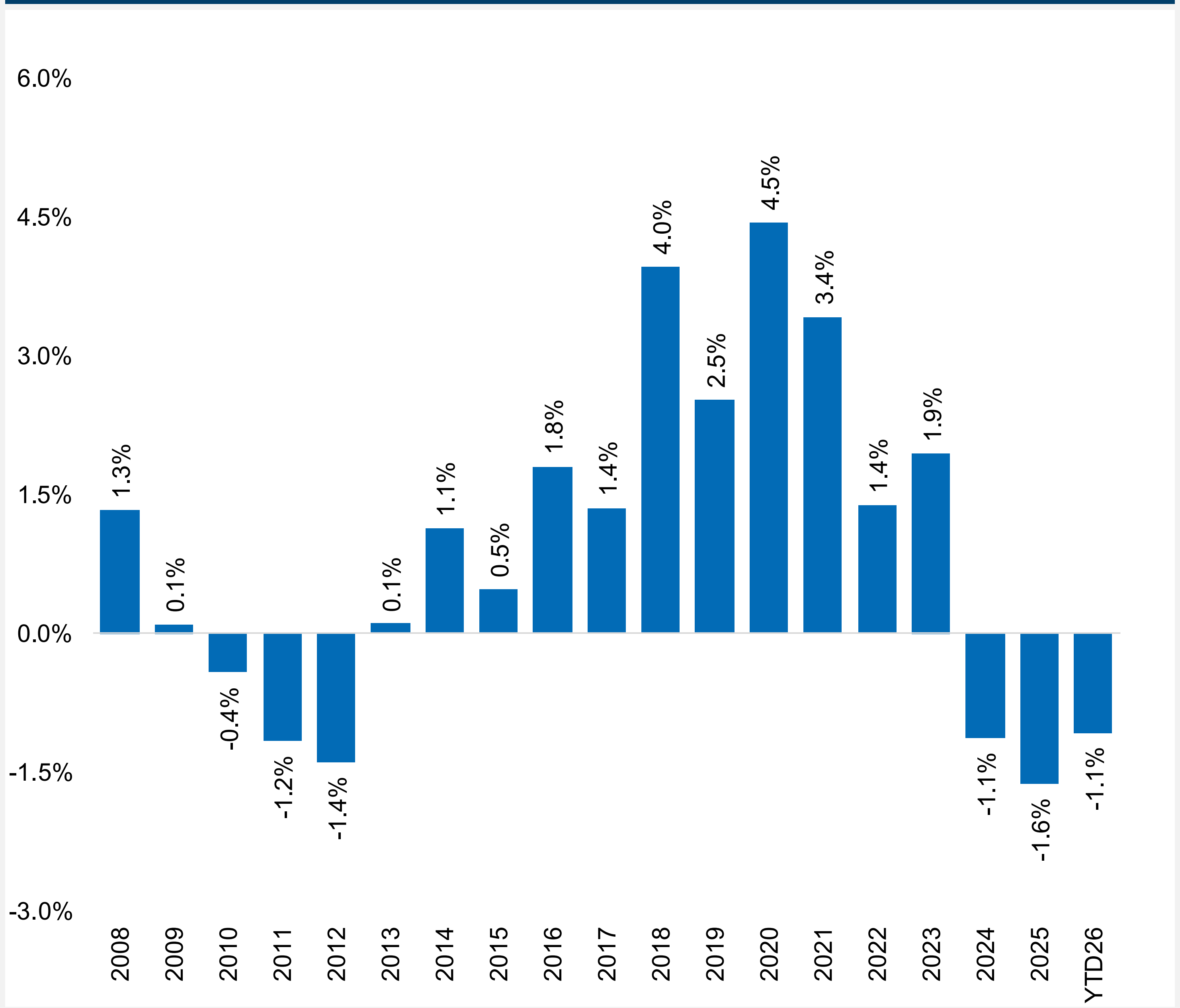
Rents Decline As Landlords Navigate Limited Liquidity

Overall asking rents declined year over year to $22.21/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.

Office Average Asking Rent, $/SF, FS



Year-Over-Year Asking Rent Growth Rate

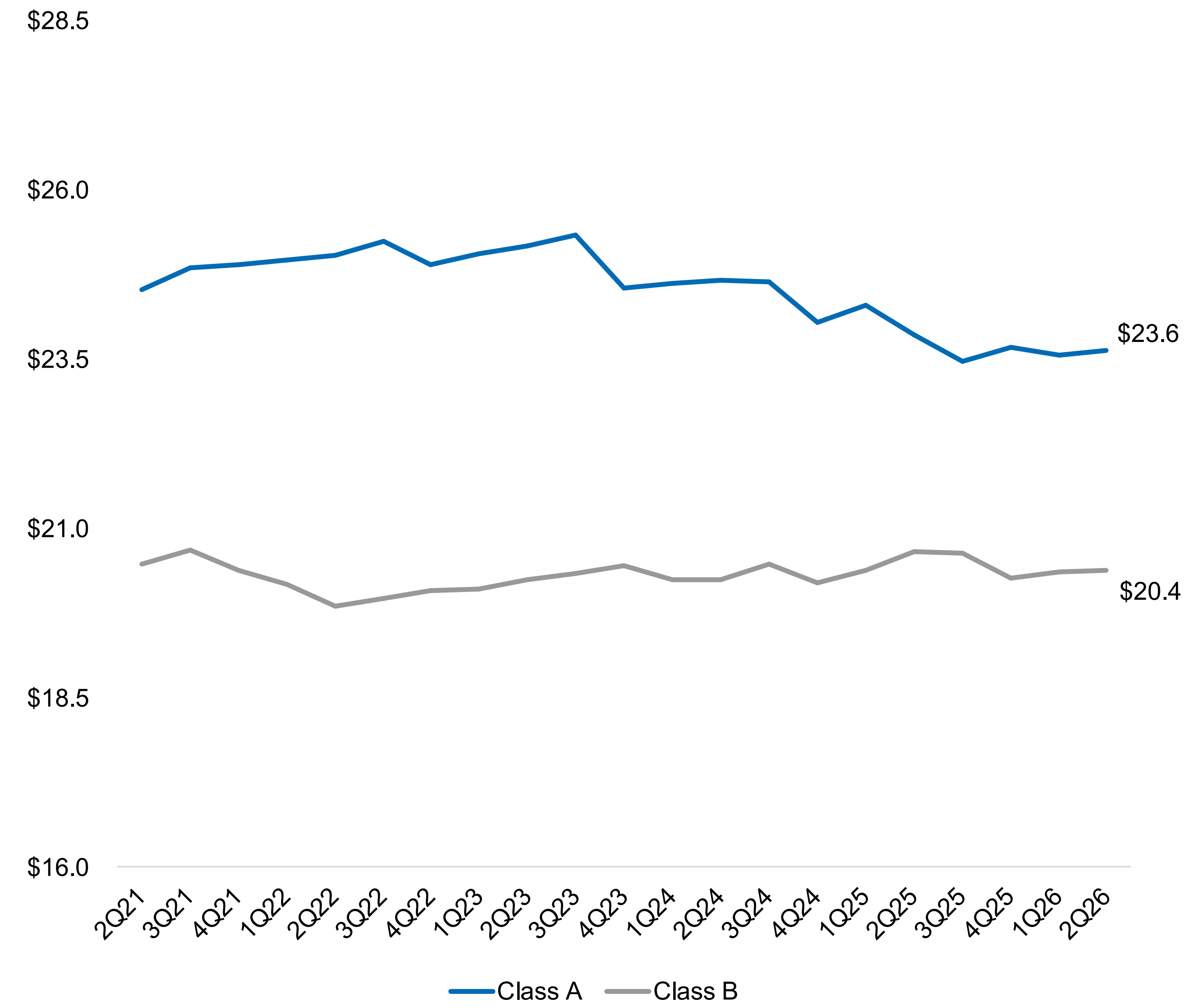


Source: Newmark Research, CoStar

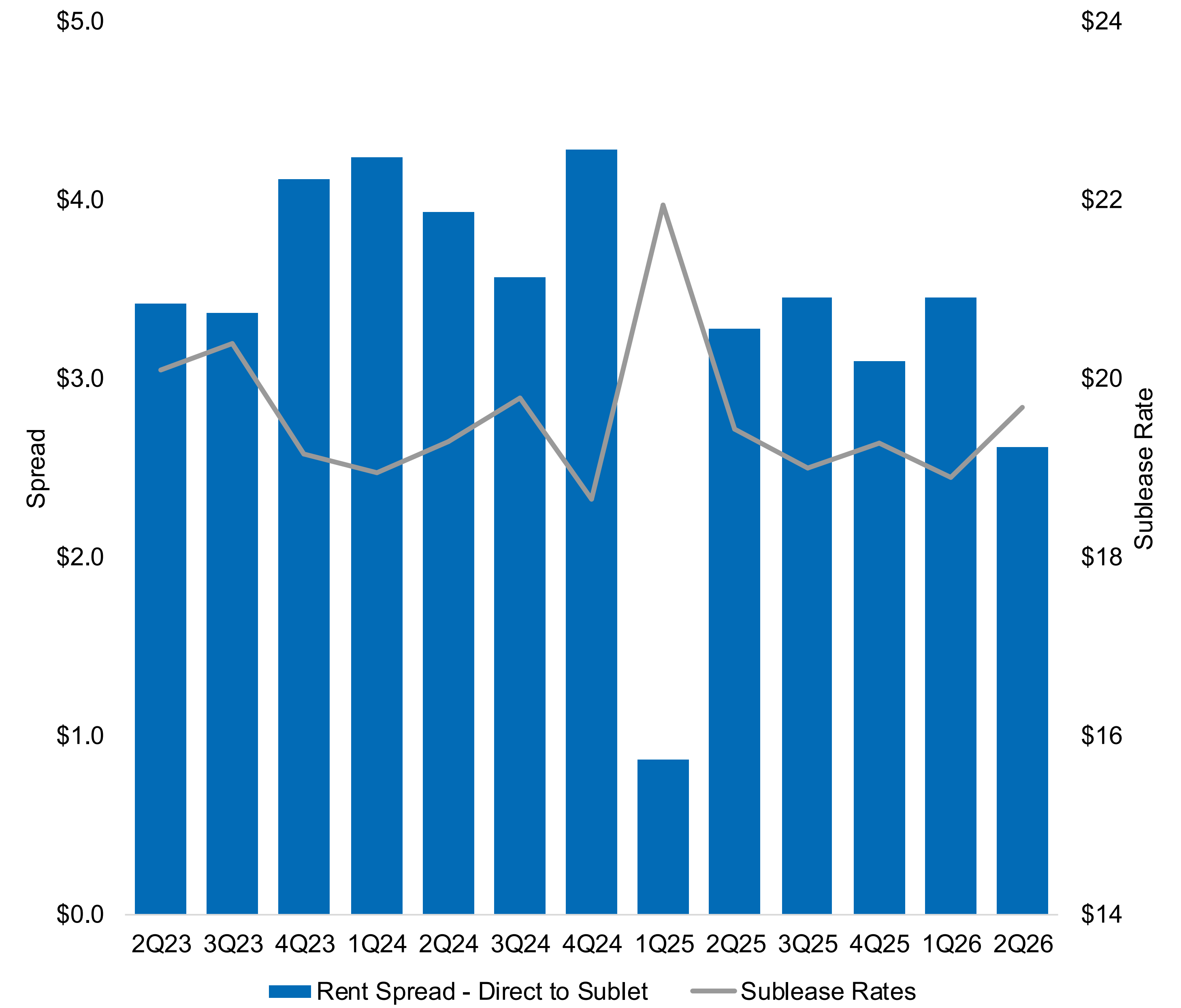
Class A Rents Compress

Historical trends suggest rents eventually adjust to reflect reduced demand. Overall asking rental rates in both the Class A and Class B segments have declined outright or remained stagnant when adjusted for inflation. Select prime Class A office buildings in the Clayton submarket remain the exception to rent compression as local firms have downsized footprints but upgraded quality. Sublease rents registered $19.68/SF in the second quarter of 2026, decreasing the rent spread to $2.62/SF.

Class A and Class B Asking Rents

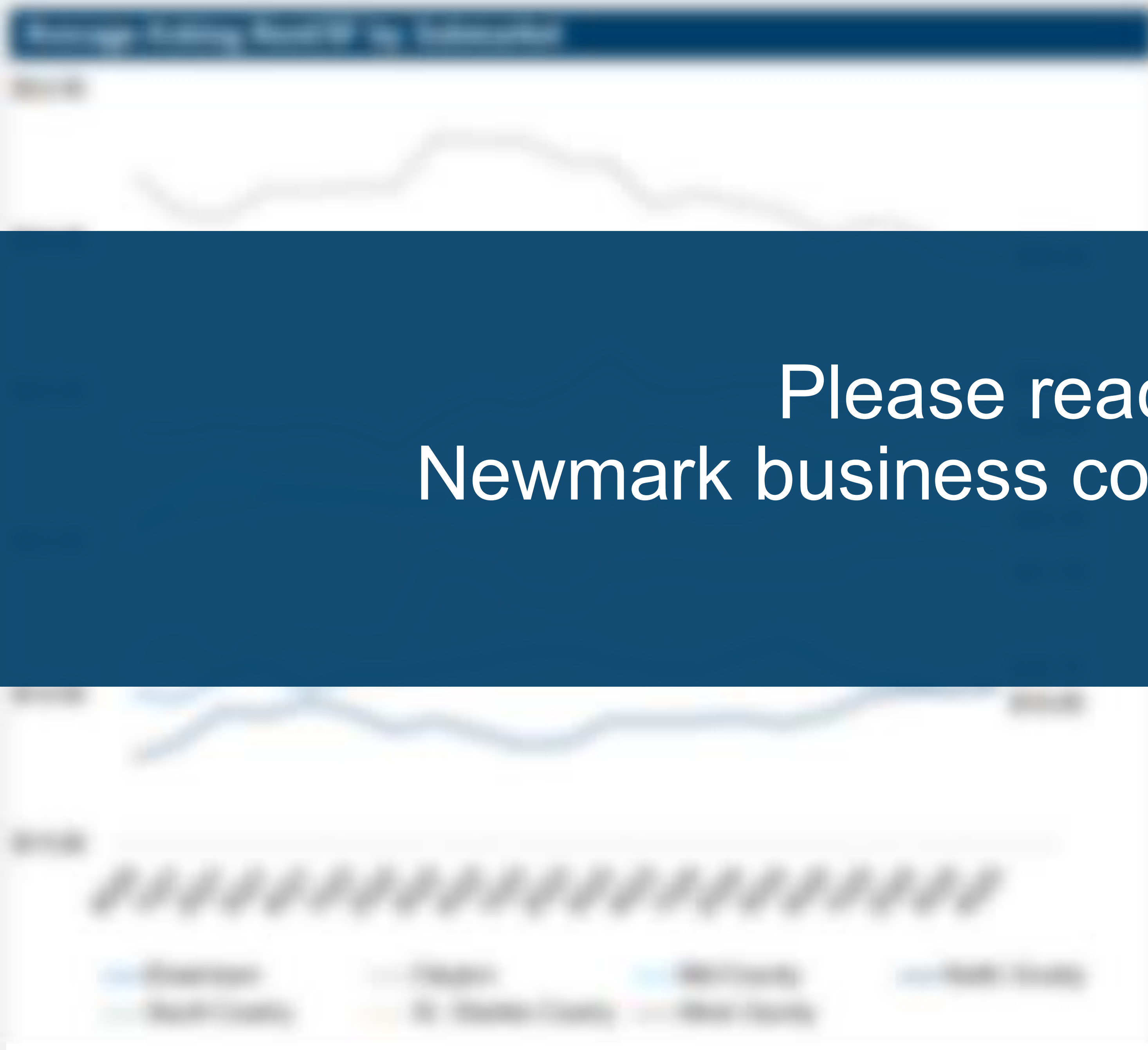


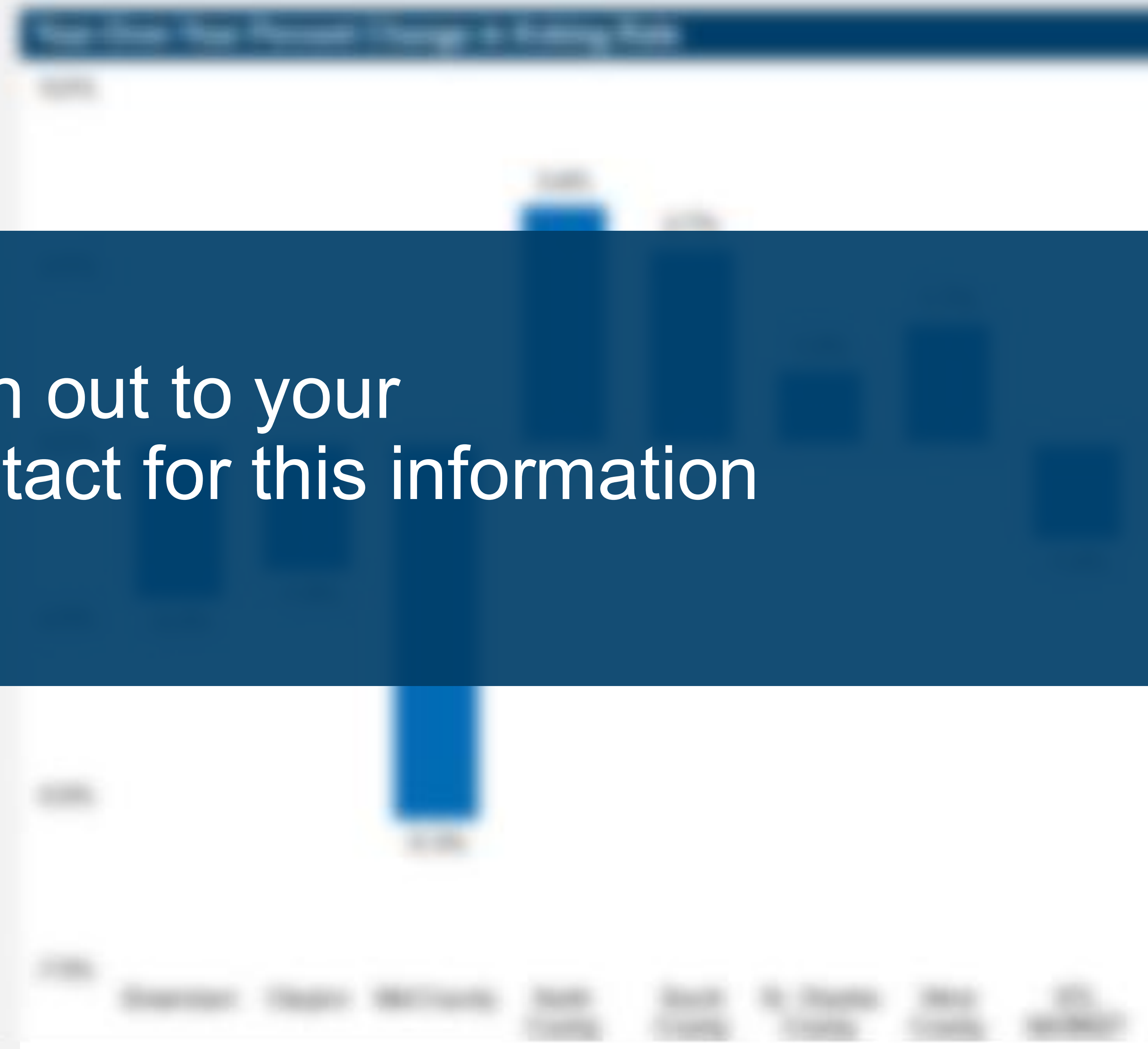
Sublease Rates



Source: Newmark Research, CoStar

Marquee Submarkets See Reversal In Rental Rate Growth





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Source: Newmark Research, CoStar

2Q26 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 15.2% as of the second quarter of 2026.

Select News & Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
ARCO National Construction	7930 Clayton Road	Clayton	Direct Lease	35,310
ARCO National Construction signed a 10-year lease for 35,310 SF on the second and third floors of Clayton Executive Center I at 7930 Clayton Rd. An anticipated move-in is scheduled for October 2026.				
TW Constructors	4500 Earth City Expressway	North County	Expansion	24,000
TW Constructors will expand into 24,000 SF of office, collaboration and training space as part of Phase II of its campus plan. The firm will relocate all five subsidiaries into one headquarters campus in August 2026.				
Missouri Center for Oral Surgery & Implants	1046 Wentzville Parkway	St. Charles County	Direct Lease	21,250
Missouri Center for Oral Surgery & Implants signed a lease for the entire 21,250-SF property at 1046 Wentzville Pkwy. in Wentzville, MO. An anticipated move-in is scheduled for September 2026.				
Mariner	231 S Bemiston Avenue	Clayton	Renewal	10,050
Mariner renewed it's 10,050-SF lease in the 174,240-SF Bemiston Tower located at 231 South Bemiston Ave. in Clayton, MO.				
Medica	14767 N Outer 40 Road	West County	Direct Lease	7,280
Medica signed a lease for 7,280 SF of space on the ground floor of the 147,600-SF, multi-tenant Delmar Gardens III building. The non-profit health insurance provider will move in by July 2026.				

Source: Newmark Research

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Submarket Statistics

Submarket Statistics

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Submarket Statistics – All Classes

Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

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Submarket Statistics – All Classes

Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

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Submarket Statistics – Class A

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

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Submarket Statistics – Class B

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

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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.