INVESTMENT FORECAST

Retail

St. Louis

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

Suburban Necessity-Retail Vacancy Stays Low as Capital-Gains Repeal Boosts Investor Confidence

Daily needs anchor suburban retail as legacy districts recalibrate. Sector conditions in 2026 are set to reflect ongoing realignment as the market works through bankruptcy-driven closures and leasing remains necessity- and service-led. Grocery, fitness, and value retailers should continue targeting outer residential nodes, especially higher-income northern suburbs, where vacancy held near all-time lows below 4 percent last year. In contrast, leasing has softened along the Interstate 64 Corridor amid heavy big-box and mall-adjacent retail exposure, though repositioning is underway in more affluent western areas. An experiential concept from Dick's Sporting Goods will replace Nordstrom at the Saint Louis Galleria, while Chesterfield Mall is being turned into a $2-billion-plus mixed-use district. Visitor spending could add support if momentum holds, after St. Louis led major U.S. markets in hotel booking growth in 2025 and a $54 million renovation began at The Dome at America's Center to draw larger events.

Firmer pricing and tax reform improve investment prospects. Sales activity rose slightly last year and could gain additional momentum, particularly in Missouri, after the elimination of the individual capital gains tax, cutting state taxes by up to 4.7 percent. The metro's average sale price per square foot has stabilized over the past two years following the nation's largest decline in 2023, creating opportunities to enter at historically attractive pricing. Buyers may continue to favor northern and southern suburban nodes over the I-64 corridor, including St. Charles County, where an $85 million City Centre Complex featuring a year-round farmers market and recreation uses broke ground. Investment in shopping centers could strengthen as St. Louis holds multi-tenant vacancy near 5 percent, one of the lowest among Midwest metros.

2026 MARKET FORECAST

+0.3% — **Employment:** The metro will add 4,000 jobs on net as hiring conditions improve modestly. Leisure and hospitality may continue to drive job growth after posting the strongest gains last year.

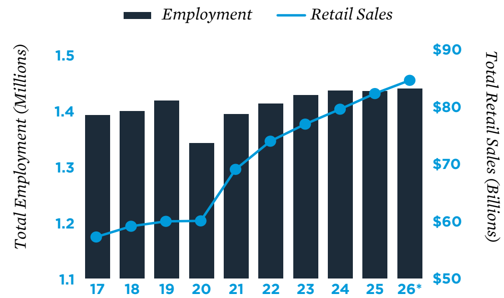
475,000 sq. ft. — **Construction:** Deliveries rise from last year but stay just below the past-decade average, with two Dierbergs grocery stores and a Target accounting for roughly half of the new space.

+10 bps — **Vacancy:** Ongoing tenant turnover is expected to push vacancy slightly higher. The metro's vacancy rate will reach 4.4 percent by year-end, roughly matching the prior 10-year average.

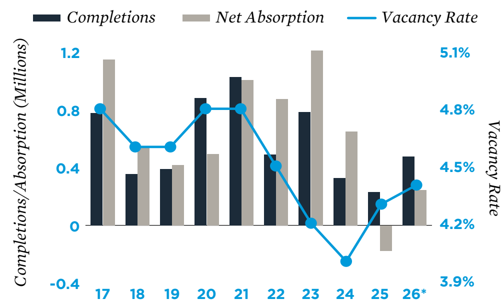
+1.0% — **Rent:** Asking rent growth is expected to remain limited this year, with the average rate inching up to $14.62 per square foot, standing near the middle of major Midwest markets.

INVESTMENT: *The National Geospatial Agency began moving the first of 3,000 planned workers to its North St. Louis campus in late 2025, supporting weekday retail sales and investor interest nearby.*

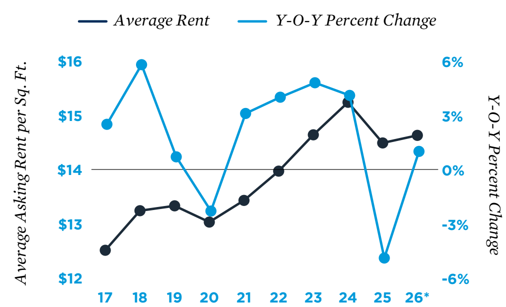
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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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 January 2026. 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 office 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.

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